

Father John Robertson, Chancellor: Today our Bishop will talk to us about the overall financial situation of the Diocese of Helena. As most of you know, from perhaps reading the Bishop's column in the March issue of the Montana Catholic, we have some serious and yet resolvable kinds of difficulties in our overall financial situation. We will hear directly from the Bishop, from Pete McNamee and others on the staff about what is going on.

Bishop George L. Thomas: I'd add my good morning and sincere thanks to you for taking the time to drive to Helena. The idea for this day was born during our Chrism Day gathering with the priests of the diocese. I decided at the midpoint of that day that the information we have is vitally important to share with an audience that is much wider than the pastors and the parish administrators; that you who work with the finances of our parishes and schools have a need for clear and crisp information, and we have a need for your wisdom and understanding. When we share our information and ideas, I think that together we can find our way out of the woods.

About sixteen months ago, when I was appointed, I came here in March of 2004 and was notified by Msgr. O'Neill and Father John Robertson that I was going to be coming into a diocese with some serious financial issues, but probably the one that hit me the hardest was a very hefty lawsuit that was still unresolved and sitting on my desk. It was a demand letter for I believe several million dollars, a lawsuit stemming from a situation going back probably to the 1960s, so an old case. The case was settled on the morning I was installed as Bishop of Helena.

Back in the 1970s there was a theologian, who taught at St. Thomas Seminary, and his area was in systematic theology – Father Michele Barone. In one of our classes he said that the clearest statement about any institution and its priorities can be found in its ledger. In the parishes and in the archdiocese in which I worked I began to take that theory seriously – you can, in fact, sort out an institution's priorities by looking at the way that funds are spent and gathered.

And so when I came here I began to ask a series of questions about exactly what is the state of the union here financially, exactly where is money being spent, how do we gather funds, are we fiscally sound, are we facing difficulties. The biggest shock to my system was that I could not get clear financial information. What I have discovered:

- for years we had a financial infrastructure in place that was relatively sound;
- then a number of events took place over recent years, not the least of which is a much more complex financial world, and so the infrastructure could not bear up
- we became further and further behind in terms of the ability to provide timely information
- there was no clear picture about how monies were being moved from one area into another,
- the pastors out in the field couldn't get timely reports.

A number of circumstances affected this diocese, and the reserves of this diocese were depleted.

- We had spent, I believe, \$6 million in uninsured payouts for the sexual abuse that took place over the years; I think about \$1.3 million were insured, so the rest took a huge bit out of diocesan finances.
- The sagging stock market that resulted after 9/11 had a huge and very negative effect as well.

- Over the past several years, just when the diocese began to get a pastoral plan in place, the bishop was transferred. A diocese can't sustain itself very long without a sound pastoral plan, without the very clear buy-in from our people and our pastors.
- There hasn't been a capital campaign in this diocese since 1981, which is astounding. Usually every few years, the diocese will put together a new set of pastoral priorities, and bring the priorities to the people, and ask their assistance. So that had a huge effect as well.
- It appears to me that we leant out more than we had in the deposit and loan, and as a result there's a cash flow crisis. We've taken a number of creative steps to shore that problem up.
- We had a pattern of deficit spending in the diocese over a period of a few years that I'm not going to allow over the next years ahead. I think we're looking at the first time that we'll have a balanced budget in a long time, going from probably about a \$690,000 deficit annually to about a \$350,000 deficit this past fiscal year and the possibility of a balanced budget in the current fiscal year.

The good news is that we've taken some pretty dramatic steps to shore up the hemorrhaging that's taken place. Back in March, I wrote a column in the *Montana Catholic* that outlined the contours of the problems. My thesis is that we need to have a financial infrastructure and system and a reporting system that is very timely and crisp and very clear, and very transparent. So I think it's important to just lay the facts out and let the people in our diocese and in our parishes understand the state of the union.

I said to our finance council that in order for us to gain fiscal health in the diocese, we have to have a diagnosis, we have to have a prognosis, and we have to have a treatment plan. We have brought together, I think, one of the finest groups of women and men in the diocese that you could ever ask for to take a close look. We've asked help from the College of Consultors and the Presbyteral Council, our own re-structured finance council and some fine experts in the field who have been brought in as consultants.

I'm going to give you just a quick thumbnail sketch of what we've had to do in the short term, and what we need to do in the long term, from the advice we've been gleaning from these different people.

- In order to address our cash flow problem, we needed to borrow money: \$1.4 million from our diocesan Foundation as well as one million from the Diocese of Great Falls-Billings.
- We chose not to fill six positions because in the short run we can't afford to bring new people on. In the long run, however, I can't expect our chancery people to continue to bear an inordinate burden on their shoulders by simply cutting larger and larger pieces of the pie.
- I was also unable to approve any raises for the chancery staff this year, which I think is also a difficulty and a burden.
- We've asked for travel restrictions and very careful monitoring of the budgets.
- We have liquidated expendable assets in the diocese.
- We raised the DOP goal by \$130,000 and thank God, and thank the pastors and thank you for supporting the DOP so strongly this year. We're nearing the 99% mark, which I think is good news.
- We have finally caught up with our audits that were lagging for a number of years.
- We increased or implemented fees for our planned giving, modest administrative fees to help us with our labor-intensive planned gifts.

- The pastors voted to freeze our diocesan assessment at 10%, even though a pledge had been made a year or two ago to try to go back to a 8% assessment. Even though a 10% assessment is a pressure on the parishes, it is reasonable.
- We will provide greater scrutiny on the building projects that are going on in the diocese, to assure the parishes are meeting the financial challenges involved with a building project and are realistically able to keep up the resulting loan payments. We have just a huge market for either renovation or new buildings, and we are looking at more creative financing possibilities in the short run (such as a loan from a private bank if it has an attractive interest rate). We don't want to squelch local initiatives, so we are trying to provide both long-term and short-term solutions for such projects.
- We've also given a lot more effort to stewardship formation, and I'm very grateful to Glenna Obie and the people in the stewardship area for the recent stewardship conference that was put on. I think she will tell you, and I think that anybody across the country who works in stewardship, will tell you that it is really the change of heart with our people, and our communities, and ourselves that will ultimately see us through this difficulty – a stewardship vision in which people see the gifts God has provided, and make a return in conscience.

I want to talk about what I think in the long run will be very helpful. When I came to the diocese, I asked Pete and I asked our diocesan staff to do something that I think takes a great deal of humility and a great deal of courage. When I came to the diocese I found an inadequate financial structure in place, and said it needs to be fixed. I asked Pete and his staff to work with me in bringing in an outside group of people to take a close look at exactly what's going on in the diocese: how can we make some changes and improvements, what are we lacking, how has the system become either lagging or broken in some areas. We asked the assistance of a number of people to help us make an assessment of the financial situation and provide solutions. The group is examining all aspects of our financial picture, including: the overall financial operation, personnel, software, the way our loans are processed, investments, and ways to garner more interest (for example, by "sweeping" our accounts so they earn more interest). I am most grateful to all those who have helped and continue to help us. [Pete McNamee noted that with the help of new software, reports of interest/loans/etc are going out on a more timely basis; and it is now possible to call and get an up-to-date balance.]

Our team provided some very important recommendations for change in the diocese. I believe that we are soon to find ourselves in a position where we will have the ability to generate overview reports, and interim reports, so that our diocesan directors can make mid-term adjustments to remain on the budget. For you in our parishes and schools and institutions – our goal is to provide reports on the interest and investments you have made in the diocese.

It's been a bumpy year. But people have come to play – the Consultants, the lay community, some very strong community advisors. I think that we're gradually beginning to pull out of the woods. The early signs of improvement are clear; certainly the DOP is one of the best indicators of the trend for overall fiscal health.

A couple of other issues that I felt we needed to give attention:

- The protection of assets: That's been a high source of anxiety for the Foundation, for our donors, in our efforts to go out and ask donors to give gifts. We've asked our legal team to advise us, and to especially be thinking in terms of foundations, and restricted gifts, to ensure that they're used

in ways that respect the intention of the donor. Legendary Lodge is a huge asset for our kids, both for ministry and memory-building for our kids, so our legal consultants are taking a close look at that as well.

- Catholic Cemeteries. Part of Catholic Cemeteries has been in major debt. We've reorganized Catholic Cemeteries, and I think there will be another very creative, very healthy plan so that we'll be able to assist Catholic Cemeteries in remaining in the black and getting out from under this burden of debt.
- A capital campaign. When I came to the diocese, the finance council and a number of other groups asked if I could begin interviewing a number of firms that engage in capital campaign management. And right away I wrote a letter back to our financial advisors and the various groups saying it's premature. I said I think that the wise route there would be for me to spend at least my first year and the bulk of my second year building bridges, circulating among the communities, getting to know the pastors and our lay leadership, and in a special way to try to build the confidence in the hearts of our people. I'm certainly concerned about the fiscal well being of the diocese, but I also believe that relationship building and confidence building have to be in place long before we turn to our people to support a capital campaign. I've asked our Consultants and financial advisors to advise me when it's timely for us to begin to talk in terms of a solid capital campaign that I think will ultimately be the most important answer to getting us out of our doldrums, coupled with this new financial structure.

Finally, I think it would be an incomplete statement of things if we simply focus in on the finances. It has certainly been a huge investment of collective time trying to address this, because if you don't have a sound fiscal foundation, a lot of other things are going to go awry very quickly. But, our financial initiative is going hand in hand with the Diocesan Pastoral Council initiative. My concern is not to overly focus on this one area and lose sight of the fact that there is so much good that's taking place in the diocese. We do have very vigorous parishes; we have a very engaged laity. I have a tremendous love and affection for the priests, the religious and the deacons serving in the diocese. And as you probably saw in the article I wrote for the *Montana Catholic*, there are so many fine, exceptional leaders in the diocese.

I think our Diocesan Pastoral Council effort is a way that we can build on this other very strong pastoral initiative, this positive energy, and ask our laity, and our clergy and religious to work together to look at long term planning in the diocese – where are we going, what are the pastoral priorities, what needs are presently being unmet? So the DPC – a very widely representative group from all over the diocese – will help us ask our people the right sets of questions so that we will have a vision in the diocese and a very exciting pastoral direction that we can set collectively. At the same time, we must zero in and get this financial crisis in check, and begin to put healthy steps in place.

A period of questions and discussion followed Bishop Thomas' presentation.