

## Elements of an Operating Plan for a Healthy Church

The financial circumstances at NUC need urgent attention and action to manage operations within accepted guidelines to establish resilience and ensure long term viability.

The financial picture may have appeared good in past, but this 'good picture' relied on large one-time bequests or drawing on savings or investments but this is not a healthy financial position because it is not sustainable. The move to our new Church required substantial increase in operating cost for staffing and building maintenance contracts. In fact, for every year since the re-location to Danby Road, the cost of operations exceeded income from operations and this is an extremely unhealthy trend. NUC operations must change to keep expenses in proportion to regular givings and not rely on opportunistic income to fund routine operating expenses. Adopting widely accepted guidelines or benchmarks for church operations is needed to achieve a sustainable financial position.

The United Church of Canada guidelines & handbooks provide very little concrete guidance on the key aspects of a healthy budget plan. Fortunately, there is considerable information on best practices for managing church budgets in open literature and these are outlined in this article along with observations and comparisons with NUC.

Most organizations have an operational plan that provides a roadmap to achieving its goals. For a Church community, some key aspects of an operational plan can be summarized as: .

- 1) Budget Plan
- 2) Staffing Plan
- 3) Stewardship Plan

### **1) Budget Plan** (cost allocation for different Church functions/goals)

The budget plan is really an allocation of funding for different Church functions. Budget plans could differ slightly depending on circumstances and goals/mission of the Church, but in general, an example of a healthy budget allocation is as follows:

- 50% - salaries & benefits
- 15% - building expenses
- 15% - ministries, youth, children, other (eg. marketing)
- 10% - savings
- 10% - missions

In NUC's case, the 2024 budget revenue forecast of \$522 K consists of

Giving/tithes	\$340 K
Rental income	\$105 K
Other income	\$ 77 K

(Note: \$522 K excludes the projected deficit or "Targeted donations" indicated in the budget as \$137K)

Expense allocations in NUC's 2024 budget were as follows:

Compensation:	a) 64% of total revenue (including rental income) b) 80% of revenue (excluding rental income) c) 98% of revenue based only on givings
Property:	a) 14% of total revenue (including rental income) b) 18% of revenue (excluding rental income) c) 22% of revenue based only on givings
Ministries:	a) 11% of total revenue (including rental income) b) 14% of revenue (excluding rental income) c) 17% of revenue based only on givings
Savings :	0%
Other*:	a) 23% of total revenue (including rental income) b) 29% of revenue (excluding rental income) c) 35% of revenue based only on givings

\* includes Presbytery dues, Insurance, loan interest, bookkeeper

Property and Ministry budgets are within acceptable ranges but Salaries are too high and Savings too low and clearly out of line with a 'healthy' budget plan.

The fact that NUC has zero funds allocated to savings is unrealistic and risky and this needs to be part of a budget plan to address future replacement furnishings or capital equipment. Consequently, it's recommended that only a portion (50% or less) of opportunistic income (eg. rental, etc.) be allocated for operating expenses and the remainder allocated to savings (for future capital maintenance, and other contingency expenditures as may be authorized from time to time).

## 2) Staffing Plan (ratio of attendance to FTE staff)

The staffing plan is to achieve a target ratio of attendance to staff that is consistent with the majority of healthy churches. This ratio is a widely used benchmark that looks at the number of staff (FT & PT) and calculates the FTE (full-time equivalent staff) and compares this figure to the average weekly attendance.

A comprehensive study of churches that looked at salaries and staffing trends indicated that typical healthy churches had attendance to staff ratio of about 76:1. In other words, for every 76 persons in average worship attendance, churches have one FTE staff.

The FTE calculation considers all paid staff including ministers, administrative staff, custodians, etc. (ref. Vanderbloemen).

If the ratio is higher than 90:1, it means you are more efficient with your staff than the typical church. This might be a good sign, demonstrating highly efficient team or showing unusually good usage of volunteers. If the ratio is lower than 70:1 it means you have more staff than the average church. Start-up churches often have low ratios since they begin with a core of staff and initially don't have many congregants, but the ratio increases as the church grows. Ratios that decrease or are very low won't be sustainable.

In NUC's case, the FTE (for 2024) was calculated to be ~4.5. Based on an average Sunday attendance of 70, the ratio for NUC is 15:1. Compared to the study results, NUC is in the bottom 10% of churches surveyed. Stated in other terms, with an FTE of 4.5, then NUC's worship attendance should be ~340 every Sunday to achieve a ratio of 76:1.

### Attendance-to-Staff (FTE) Ratio | Summary

Organization	# of Churches	Top 10%	Above Average	Average	Below Average	Bottom 10%
Unstuck Group (2015)		133:1	95:1	86:1	77:1	50:1
Unstuck Group (2017)	200	121:1	85:1	77:1	68:1	42:1
Leadership Network (2016)	~1,500 (>500)	108:1	91:1	73:1	70:1	59:1
ChurchSalary (2022)	437 (>50)	82:1	63:1	51:1	35:1	29:1
ChurchSalary (2022)	171 (>500)	86:1	63:1	51:1	33:1	26:1

Based on a total of 510 responses to the 2022 State of Church Compensation Webinar Survey and National Church Compensation Survey. For ChurchSalary figures, "above average" corresponds to the 75th percentile, "average" to the mean, and "below average" to the 25th percentile.

Table: Aaron M. Hill • Source: ChurchSalary • Created with [Datawrapper](#)

### **3) Stewardship Plan** (look at how money is spent & spend it wisely)

The traditional focus for stewardship is tithing, fund-raising and volunteerism to support the overall mission of the church. An equally important aspect of stewardship is to ensure monetary gifts received by the church are spent wisely and efficiently for optimal benefit to the church's mission.

In the context of NUC, the summer camp is an area where cost efficiency needs review and re-assessment. On the financial statements, camp appears as a breakeven proposition, however, the financial statements don't reflect the true cost of camp operations. A recent report by Credence & Co. in 2021 indicated the Youth Minister spends 2/3 of the time on camp operations (planning etc). Allocating the proportion of salary that is spent on camp functions results in a true cost of ~\$100,000 (\$60 K more than the \$40 K indicated in the financial report). Assuming 160 campers attended camp in 2024 (40 per week for 4 weeks), the true cost per camper is  $\$100K/160 = \$625$  each. The cost to attend a municipal camp in Halton Hills is about ~\$250 per camper, so NUC's camp operations are  $625/250 = 2.5$  or 250% higher than is reasonable for this activity. A logical question, therefore, is whether the status quo is the best allocation of funds.

From a different perspective, if camp was removed from the Youth Minister's job description, then NUC could exercise other options that still support children's camp as part of our mission. For example, if NUC subsidizes the full cost of 160 campers to attend a municipal camp then NUC would still realize ~\$20 K in savings over the present model of operations. If NUC's subsidy is only for 100 campers, the savings are ~\$35K. In the limiting case where zero subsidy is provided and campers pay the normal registration, the cost savings to NUC are ~\$50K-\$60K.

Another area needing review is whether added workload is incurred by carrying out the virtual online service as it's now implemented. For example, are cost savings possible by simply online streaming of the regular in-person Sunday worship?

The current stewardship campaign has a stated objective of raising an additional \$12 K per month in order to achieve a balanced budget and avoid a projected income deficit for 2025. Implementing these elements of operational planning would support the stewardship goals and get NUC on a healthy financial footing.

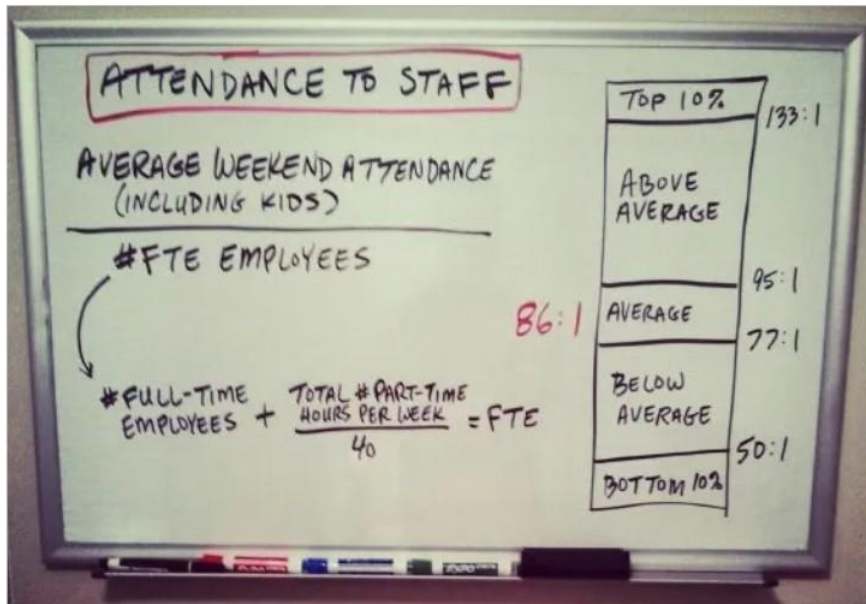
Conclusion: All these elements of operational planning should be put into practice during annual budget reviews and implemented in order to get NUC on a path for sustainability and growth. The top priority in NUC's recover plan should be to "right-size" the staffing to move NUC's metric closer to an attendance to staff ratio of 76:1. Once this is done, the cost allocations to align with a healthy budget plan will be much more achievable. This is a necessary first step to get NUC back on-track to a more viable and resilient financial future.

## References:

Below are excerpts from some of the sources that were reviewed along with website links.

# CHURCH HAVE ON STAFF?

SUNDAY, MARCH 8, 2015



Before you buy into the idea that you need another staff person at your church, think again. That just may be the worst decision you make at your church this year.

It's not uncommon in churches that I work with to hear them say, "We need to add more staff." After all if there are problems or areas where the church is stuck then throwing staff at that problem will surely fix it...right? Well, not always. In fact the opposite may be true. In fact the most effective churches that I see have a tendency to hire fewer staff not more staff. They hire more competent team members who have the ability to turn attenders into volunteers, volunteers into leaders, and build teams. Instead of paying people to do ministry they pay people to lead others to do ministry.

At the [Unstuck Group](#) we encourage churches to staff to a ratio of 100:1. As you can see in the chart above the average ratio of attendance to staff in most churches is 86:1. In other words for every 86 people in attendance at the church (including adults and kids), there's typically one full-time staff person.

This number includes all paid staff at the church. That means administrative staff, support staff, ministry staff and pastors. This number also includes both full-time and part-time staff. We calculate the full-time equivalent (FTE) number by adding the total average number of hours part-time staff work and then dividing by 40. That number is added to the number of full-time staff to get the FTEs. For example, if there are 5 full-time employees and 10 part-time employees working a combined average of 200 hours per week, that makes for a total of 10 FTE's.

**Over staffing is a big deal in churches because it's usually an indicator that:**

**1. The church has become Insider Focused**

Typically an overstaffed church is paying people to do ministry and run programs to keep long-time people in the church happy.

**2. The church has a Poor Culture of Volunteerism**

There is a direct connection between staffing and volunteerism at churches. Generally the more a church spends on staffing the less likely attenders are to serve.

**3. The church has Stopped Growing**

There is also a direct connection between staffing and church growth. What we've discovered in our research at the Unstuck Group is that the more a church spends on staff the more the rate of attendance growth slows.

In other words the more staff your church has the more likely your church is to become insider focused, have a low level of buy-in and volunteerism by attenders, and to be plateaued or in decline.

Website references:

<https://www.vanderbloemen.com/blog/cost-efficient-employees-church>

<https://www.vanderbloemen.com/blog/healthy-church-budget-percentages>

<https://theunstuckgroup.com/the-ultimate-guide-to-church-staffing/>