

Archdiocese to tighten budget by \$1.5 million

Faced with declining investment values and unexpected emergency expenses, the Archdiocese of Baltimore's Central Services suffered a \$20.6 million loss last year.

Archdiocesan officials announced the shortfall to Catholic Center staff in a Jan. 23 meeting at the downtown archdiocesan headquarters. They also unveiled new belt-tightening measures designed to help save \$1.5 million.

"We live in unprecedented economic times," said Monsignor Richard Woy, chief operating officer of the Catholic Center. Monsignor Woy noted that the downturn in the economy has caused major employers to lay off tens of thousands of workers throughout the United States. The Archdiocese of St. Louis recently laid off 25 of its central services employees, he said, and the Diocese of Yakima, Washington, halved its central services workforce.

"Those realities are impacting us," he said. "Our challenge is to squeeze \$1.5 million out of our expenses for this year. Our goal is to do that without eliminating any positions."

John Matera, controller for the Archdiocese of Baltimore, said the archdiocese took in and spent the amount of money it had projected. But the archdiocese had to provide an unexpected \$2.8 million in emergency grants for the upkeep of aging facilities.

The state of the economy played a major role in the overall deficit for fiscal 2008 period, he said. The archdiocese incurred unrealized losses of \$8.4 million in investments. Due to a drop in the fair-market value in its clergy and lay retirement plans ranging from 15 percent to 18 percent, the archdiocese had to recognize an additional \$7.1 million in expenses related to the retirement plans, he said.

Historically low interest rates also forced the archdiocese to recognize an unrealized loss of \$1.7 million associated with the loss in fair market value of derivative financial instruments that were entered into to offset exposure to increases to

interest rates on its long-term borrowing agreements, Mr. Matera said.

To view a summary of the Archdiocese of Baltimore Annual 2007-2008 Report, [Click here](#).

In June 2007, the archdiocese borrowed \$40 million to assist with the financing of capital projects at parishes and schools.

"I'm going to stress that right now our cash situation is strong," said Mr. Matera. "We're not sitting here worrying about making payroll."

Mr. Matera said the depressed marketplace has had a "huge effect on our balance sheets."

In the first six months of fiscal year 2009, Mr. Matera noted that archdiocesan investments lost another \$7.5 million.

"Our concern is not cash flow at this point," he said, "but the effects the economy has on our balance sheet and the financial ratios that must be maintained to allow for the continued interest rate terms associated with the long-term borrowings."

Mr. Matera noted that retirement programs will be hurt further if the markets keep going down.

To deal with the financial crunch, Joseph Spadaro, executive director of the archdiocesan department of management services and chief financial officer, outlined the cost-cutting measures the archdiocese is now undertaking.

Catholic Center employees will not receive cost of living adjustments at the end of the fiscal year. Vacant positions will not be automatically filled and there will be no new hires without the approval of the vicar general.

The archdiocese has deferred a \$700,000 renovation of the first floor of the Catholic Center and plans to delay the replacement cycle of computers. It has selected Office Depot to be the single-source vendor of office products so the archdiocese can leverage better prices.

Employees have been asked to reduce travel and use teleconferencing. They were

encouraged to be mindful of the paper and postage they use and get three quotes for large printing jobs. The archdiocese will no longer provide cell phones for employees, with those who require them instead receiving a taxable allowance. The archdiocese is also eliminating its phone answering service and installing sensors on lights to save on energy expenses.

Free parking for vendors has been eliminated and other cost-cutting measures were announced.

“We’re limiting expenses to what is essential,” said Monsignor Woy. “We all have to be a part of it.”

Sean Caine, archdiocesan director of communications, told The Catholic Review that the archdiocese has also reached out to victims of sexual abuse. It has provided victims more than \$230,000 in counseling assistance and more than \$900,000 in direct financial assistance – including funds for continuing psychological counseling. The funds were provided by insurance reserves previously accumulated by the archdiocese, he said.

“Since coming to the archdiocese, Archbishop O’Brien has made a concerted effort to reach out to victims of sexual abuse to better understand their needs so as to provide them with the appropriate assistance,” he said.