

## St. Paul's Lutheran Church 2026-2027 Budget 5/17/2026

I apologize for not being able to attend today, but I am out of town.

While we have a goal to present and approve a budget at the May Voter's Meeting, we are not ready to do so at this point. Our current budget for the 2026-2027 fiscal year shows a negative balance over \$300,000. As we review our situation over the following month, please let me know if you have any ideas, suggestions, thoughts by emailing me at [treasurer@stpaulslutheran.net](mailto:treasurer@stpaulslutheran.net).

Below is a summary of the five-year financial performance of St. Paul's Lutheran Church (2022–2026). I have identified some financial struggles and operational deficiencies currently impacting our financial struggles. Based on the Statement of Income & Expense, this memorandum identifies the core problems and outlines the strategic requirements necessary to achieve long-term financial stability and growth.

### **Analysis of Financial Struggles and Identified Problems**

A review of the five-year trend reveals several critical areas of concern regarding the church's financial health and operational sustainability:

- **Structural Deficit Masked by Extraordinary Inflows:** On the surface, the church reported a surplus of \$67,805 in 2026. However, this figure is heavily skewed by non-recurring revenue. Specifically, "Matching Proceeds" of \$226,792 and "Brinkmann Fund" income of \$48,690 were recorded in 2026. Excluding these one-time items, the church would have experienced an operational deficit exceeding \$200,000. This follows a substantial net loss of \$178,889 in 2025, indicating a persistent gap between recurring revenue and operational expenses.
- **Stagnation of Core Congregational Giving:** Total "Offering - Envelopes" have seen minimal growth, rising from \$663,346 in 2022 to \$688,968 in 2026. Given the inflationary environment over this period, the real value of these contributions has effectively decreased. Furthermore, "Building Fund Envelopes" decreased from \$126,263 in 2022 to \$116,589 in 2026, suggesting that congregational support for this need is weakening.
- **Dissipation of Supplemental Income Streams:** Several significant revenue sources for the Day School and general operations have been exhausted or eliminated. "Tuition Assistance" income fell from \$40,907 in 2022 to \$0 in 2026. Additionally, the "Empower" program, which contributed \$79,938 in 2023, has provided no income for the last two fiscal years. The loss of these third-party or restricted funds has significantly increased the burden on general tuition and offerings.
- **Rapidly Increasing Maintenance and Infrastructure Costs:** Expenses related to "Maintenance - Building" have escalated dramatically, from \$23,694 in 2022 to \$120,497 in 2026. While potentially representing necessary repairs or the addressing of deferred maintenance, such a steep increase indicates that the aging facility is becoming a significant financial liability.

- **New Debt Service Obligations:** The introduction of the "Solar Loan Payment" in 2026 added a new fixed expense of \$88,012. While this investment yields utility savings, debt service is naturalizing those savings. The tax credit has been filed and we are awaiting funds to pay off half this debt.

### **Strategic Requirements for Financial Growth**

To mitigate these risks and foster financial growth, the following strategic actions are recommended:

- **Re-evaluation of the Day School Financial Model:** With the loss of supplemental funding like "Empower" and "Tuition Assistance," the church must conduct a comprehensive review of the Day School's tuition structure. Salaries and benefits have increased consistently, and tuition must be adjusted to ensure the school remains self-sustaining.
- **Targeted Stewardship and Capital Campaigns:** The church must bridge the gap between flat envelope giving and rising costs. A revitalized stewardship program is necessary to convert the momentum seen in the 2026 "Matching Proceeds" into sustainable, increased weekly or monthly commitments.
- **Operational Expense Containment:** Significant spikes in administrative and utility-related costs—such as "IT Service/Support" and "Telephone"—require immediate attention. Management should seek to renegotiate vendor contracts and implement more stringent controls on discretionary spending.
- **Facility and Energy Efficiency Audit:** While the solar investment is a positive step, electricity costs remained high until 2026. A comprehensive audit of the facility's energy usage and a formalized maintenance schedule could help stabilize the "Maintenance - Building" line item and maximize the return on the solar investment.

### **Conclusion**

The five-year financial trend for St. Paul's Lutheran Church highlights a concerning reliance on non-recurring income to mask a structural operational deficit. While 2026 technically shows us in a surplus, the underlying trend is characterized by stagnant core giving, disappearing supplemental revenue streams, and escalating maintenance costs. Financial growth and sustainability will require a rigorous approach to expense management, a modernized tuition model for the Day School, and a renewed commitment to congregational stewardship. Without these structural adjustments, the church remains vulnerable to significant deficits once extraordinary funding sources are exhausted.

Scott Styck, Treasurer