

Budgeting in the Midst of Uncertainty: A Conversation for Parish Leaders

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WAKE FOREST
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- **Budgeting has never been easy, but this is ridiculous**
 - Key risk: inaction – paralysis from ‘uncertainty overload’
 - Key risk: running out of cash – inability to fulfill our mission
 - **One size has never fit all, and especially now**
 - Not only differences across parishes
 - But also differences in assumptions about what life will be like, not just over a typical year-long budgeting period, but tomorrow
 - **What do I do?**
 - Carefully consider your actions, but be sure to take them
 - Improving flexibility is always a good idea, and especially now
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- **Consider working on two levels – setting the example, while you are working on the more impactful items**
 - Modeling extreme cash conservation – how far can you go?
 - Managing the key items that ‘move the needle’ for your parish
 - **Is there a ‘compelling question’ that helps you and your colleagues pursue extreme cash conservation?**
 - An example from Wake Forest University
 - **A word about pulling funds from endowments**
 - Tempting, but.....
 - **It is unlikely that you will preserve too much cash**
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- **A good environment for more than one budget – maybe two?**
 - ‘Base case’ might be today’s operating environment, or even today taken down a notch or two (perhaps today’s costs and the restrictions from March? Consider the coming winter in your area)
 - ‘Something toward a new normal’ that might happen in spring or summer 2021, with widespread vaccine availability
 - **A word about zero-based budgeting**
 - A great concept, but in practice many people approach ‘what I’m doing right now’ as zero, so be aware – perhaps hook ZBB to your compelling question driving cash management?
 - Stewardship might benefit from less change in target rather than more?
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- **Entrepreneurs plan, operate and adjust in a highly uncertain environment**
 - As with every budget, assumptions are key
 - Entrepreneurs know they will adjust budgets very regularly
 - **One helpful tool: discovery-driven planning**
 - Develop your budget, and then ask this question:
 - What if I'm 50% or 100% wrong about that assumption? How would it change my business plan?
 - Figure out what 'matters most' and what 'matters less'
 - One example – a laser focus on the cost of chickpeas
 - Goal: identify the 3 or 5 or 7 things to manage tightly
 - Or, perhaps, to renegotiate (contracts?)
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- **Other than refinancing, think short duration – preserve flexibility – no one can see far enough to negotiate long-term**
 - **When renegotiating with ‘campus clients’, consider**
 - Are they thriving or drowning? See yourself from their view
 - If you need concessions, is there something you can give that doesn’t cost you to offer?
 - **Municipalities and utilities are hurting as well**
 - But it doesn’t hurt to ask for concessions, if this is worth your time (i.e., it fits in the things that move the needle for your parish)
 - If there are significant grants available, apply for them!
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- **What about prepaying expenses or subscriptions?**
 - Prepayments require cash, so I'd set a high bar to be sure those make sense – can you secure enough of a discount to be worth it? Ask your version of the 'compelling question' as you consider it
 - **What about delaying expense payments to future periods?**
 - If you can do it without penalty, that conserves cash
 - **Should we think creatively about campus maintenance budgets, to help offset higher costs in other areas?**
 - Yes, absolutely! What's the lowest appropriate HVAC temperature setting? Can we turn off the hot water heater? Can we defer cosmetic maintenance without jeopardizing structures?
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- **What are the cost benefits of hiring hourly or part time staff versus outsourcing some tasks to contract companies?**
 - I think of this as a ‘business model’ question – for each operating task, I have a range of options – hire full time staff, hire hourly or part-time staff, or hire a contractor
 - Along this spectrum, hiring full time has the highest risk to the business model (fixed commitment I must cover), but hopefully the lowest cost per unit of work (not paying someone else’s profit margin)
 - In this time of great uncertainty and need to preserve cash, you would tend toward ‘paying up’ a little for a unit of work to avoid making a fixed long-term commitment (i.e., hourly or part-time or contractors v. full time staff)
 - Back to chickpeas – using incubator kitchen staff v. hiring your own – an ongoing question, not answered once and for all
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Let's discuss the next topics of interest
