

## **Comments and Recommendation to the Board of Trustees on the Proposed FY20 Budget, June 2, 2019**

This memorandum presents the proposed FY20 budget, detailing planned expenses, explaining changes from the prior year, and discussing how the budget addresses the Board of Trustees' goals and priorities. The first section discusses projected FY20 income from all sources. The second section details proposed expenditures, comparing FY20 expenses to those budgeted as well as incurred in FY19. The final section discusses how the proposed budget meets the broad budget priorities established by the Board this year. The budget presented here reflects the major Board and congregational priorities and maintains current staffing and programming.

### ***Income Relative to Prior Year Budget***

Total income is projected to increase by approximately \$35,000 in FY20 compared to budgeted FY19 income. This increase is driven primarily by a substantial increase in pledge income. Contributions from the endowment also increased; decreases in other income sources offset the increases somewhat.

The Annual Budget Drive (ABD) was very successful this year. The ABD team pledge funds targeted for FY20 was \$625,000. Of that amount, the Budget Drive produced just under \$600,000.<sup>1</sup> As a result, projected pledge income for FY20 is \$22,000 (4 percent) higher than the pledge income for FY19. This represents a healthy increase in pledge income, thanks to the generosity of FUUSN members and friends and the hard work of the entire budget drive team.

This proposed budget includes a contribution to the operating budget from the endowment, utilizing both unrestricted funds and restricted funds as appropriate. The contribution is calculated according to a formula established by the Board of Investment (BOI). The contribution is 7 percent higher than last year's contribution.

We are projecting a slight decrease in building rental income as one of our tenants is using less space than previously which has resulted in decreased rent.

### ***Expenses Relative to Prior Year Budget***

Overall, projected FY20 expenses are \$55,000 (6 percent) higher than budgeted FY19 expenses.<sup>2</sup> The rest of this section discusses projected FY20 expenses relative to FY19 budgeted expenses.

The budget includes a 3 percent raise for all staff. FUUSN is a 'fair compensation' congregation, which means that we pay our staff salaries within the UUA's established salary ranges for each job category. Our Personnel Policy Committee (PPC) recommended these levels of raises for our staff. We feel that the raises are warranted as we have a dedicated, hard-working and talented

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<sup>1</sup> Pledge total of \$598,000 as of 5/28/19.

<sup>2</sup> FY20 expenses are 10 percent higher than FY19 actual expenses; the latter came in lower than anticipated.

staff. Salaries and related expenses (including professional development) account for over half (53 percent) of our total annual expenses.

One notable change in Religious Education (RE) staffing is included in the proposed budget. Our current Assistant Director of Religious Education (ADRE) and Youth Programs coordinator (YPC) are both leaving at the end of FY19. The ADRE position is 25 hours per week for 10 months and the YPC position is 15 hours per week for 10 months. The proposed FY20 budget combines these two part-time positions into one 40 hours per week, 10-month position, and provides the benefits offered to other benefits-eligible staff. The advantages of this structure, which was recommended by both the Religious Education Council and our Personnel Policy Committee (PPC), include: attracting candidates with increased range and depth of experience; and increasing the likelihood that the staff member would remain at FUUSN for a significant number of years which would have a positive long-term effect on the RE program.

The FY20 budget also includes a change in our health benefits policy that affects employees hired after January 1, 2019. Benefits eligibility will be expanded and employees will be asked to contribute part of their health plan premium.<sup>3</sup> The new ADRE/YPC staff member will contribute 20 percent of their health care premium. The new Membership Coordinator will be eligible to participate in the UUA health plan and contribute 58 percent of their premium.

The Music category will increase 5 percent. The budget includes increasing the hours of the Family Music Director from 4 to 5 hours per week. The Family Music Director, who works with the Family Choir and also brings music to RE classes, has been a valuable asset to the music program. The additional hour per week will allow her to more fully participate in the program, including preparing music for special events. The budget also includes additional conference or professional development expenses for our Music Director who was appointed by the UUA to serve as Chair of the Music Leadership Certification Committee. This position requires that she travel to several meetings each year.

The overall Buildings and Grounds operating budget increases by 4 percent. The FY20 budget also increases the contribution to the building reserve fund (which is separate from B&G operations) from \$10,000 per year to \$12,500 per year. The fund, which provides resources for large repairs such as roof and masonry items, is important to the long-term maintenance of our building. While construction costs have increased substantially in recent years, the annual contribution to the building reserve fund has remained constant until FY20. Note that we were able to increase the FY19 contribution to the building reserve fund from the budgeted \$7,000 to \$10,000.

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<sup>3</sup> FUUSN currently pays 100 percent of health plan premiums for employees working at least 1,560 hours each year. Employees hired *before* January 1, 2019 will continue to receive full health benefits; they will not be required to contribute to plan premiums. Employees hired after January 1, 2019 and working at least half-time (1,040 hours per year) will contribute 20 percent of the health plan premium; FUUSN will contribute 80 percent. Part-time employees working at least 750 hours per year (.36 FTE) will be eligible to participate in the UUA health plan and will pay a pro-rated contribution to health plan premiums.

The Denominational Affairs budget increases by 38 percent, driven primarily by an increase in UUA dues. For many years, FUUSN has been an “honor” congregation, paying our full dues to the UUA. In FY19, the UUA changed its formula for calculating dues<sup>4</sup> and FUUSN was asked to pay 10 percent more. Given our budget situation, we decided that we could not afford to pay the requested pledge and last year’s budget reduced our pledge by \$13,000. However, our actual FY19 expenses came in below budget and the Board of Trustees voted to pay the full requested dues in FY19. The FY20 budget also provides full funding of the requested dues (a 10 percent increase over the FY19 request). FUUSN’s Social Action committee continues to receive a budget equal to 1.5 percent of pledge income; the committee allocates the funds to the various projects FUUSN supports through its volunteer efforts.<sup>5</sup>

Committee expenses will increase by 20 percent in the FY20 budget relative to the FY19 budget. The increase reflects one-time requests from three different committees: \$2,000 for an anti-racism curriculum requested by the Multicultural Ministry Initiative (MMI); \$1,000 for training for a stewardship council requested by the Board; and \$1,000 training budget for a safe congregation response team requested by the Safe Congregation group.

Budgets for the broad Ministry, Religious Education, and Office expense categories proposed for FY20 are within 4 percent of the FY19 budget.

The proposed FY20 budget shows that projected expenses exceed income for the year by \$29,814.

### ***Recommendation from the Operations Council***

The Board of Trustees provided broad priorities for the FY20 budget, which guided the development of the detailed budget. The Operations Council carefully reviewed all income streams and expenditures in the draft budget prepared by the Finance Committee at our meeting on May 13, 2019. In the months prior to May, we reviewed the major budget expense categories: buildings & grounds, religious education, and staff compensation. The proposed budget achieves the Board’s broad goals as discussed below:

1. One of the Board’s top priorities is to maintain our staffing structure with fair compensation. The budget maintains our senior staff—Minister, Director of Lifespan Religious Education, and Music Director as currently staffed. Salaries of all staff are aligned with UUA recommendations (including 3 percent raises); benefits, including professional development, follow best practices. Combining the hours of the two RE support positions (ADRE and YPC) into one 40-hour per week position with benefits and providing health insurance benefits to the half-time Membership Coordinator will allow

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<sup>4</sup> Until FY19, our dues were based on our number of members. Beginning in FY19, the UUA calculated dues owed as a function of operating expenses. Congregations were asked to increase their dues by 10 per year until they reached the full request.

<sup>5</sup> FUUSN also contributes to social action projects through Special Collections, the Alternative Gift Fair, and the Youth Coffee House. These contributions provided an additional \$22,000, in FY19 (representing three-quarters of the total FUUSN contributions to the supported organizations).

us to attract and retain qualified staff. These changes will strengthen our staffing structure and ensure continuity of our programs.

2. Board goals for the FY20 budget include maintaining the current programs central to FUUSN's strategic mission, including ministry, religious education, social action, and music. The proposed FY20 staffing structure as well as line-item funding for these programs will allow FUUSN to continue to provide rich programming and maintain our vibrant community.
3. Last year, in order to develop a viable FY19 budget, we decreased the requested UUA dues and reduced the contribution to the building reserve fund. The Board requested that if funds were available, the FY20 budget should, at least partially, restore funding for both these items. As noted above, our actual expenditures in FY19 were significantly less than budgeted and thus we were able to fully restore both these reductions during FY19. The FY20 budget also fully funds the requested UUA dues and provides an increased contribution to the building reserve fund.
4. Another Board priority is to continue working to become a more welcoming, and inclusive congregation. The work of Multicultural Ministry Initiative (MMI) has been an important component of this work. The MMI and our Minister have proposed to bring the UUA Beloved Conversations Curriculum to FUUSN next year to further explore and deepen our anti-racism work. The FY20 budget provides funding for this initiative, which will be a one-time expense. Note that this budget includes continued funding for childcare before/after services to allow parents to participate in these activities, thereby enhancing connections.
5. Two important initiatives were begun at FUUSN last year and, as requested by the Board, this budget provides modest funding for their continuation. One, the Board has worked to charter a Stewardship Council, a long-term body that will examine all aspects of FUUSN's financial stewardship in order to improve our fundraising capacity and provide strategic leadership for the Annual Budget Drive, our Legacy Program, and a near future Capital Campaign. The budget includes funds to allow the Stewardship Council to invest in professional training as deemed useful. Two, establishing a Safe Congregations program was also a priority this past year and the committee has been working to develop a policy handbook. As noted above, one component of this work will be to establish a response team; training for team members is included in the FY20 budget. Both these training budgets will be one-time expenses in FY20.
6. Ensuring FUUSN's financial health continues to be an important priority for the Board and the entire congregation. While the proposed FY20 budget projects that, for the year, expenses will exceed income by \$29,814, there are a number of factors that make us confident that this is a viable and responsible budget. First, we have the money to fund

the deficit this year. We ended FY19 with annual *surplus* of \$49,826 even after restoring cuts to the UUA dues and the building reserve fund.<sup>6</sup> At the end of FY20, we will have an *overall* projected cash reserve of \$122,832 and a building reserve of \$93,889 for a total of \$216,721.<sup>7</sup> Our financial policies require that the total reserve at the end of the year be equal to two month's of operating expenses (approximately \$156,000). The proposed budget maintains more than the required reserve. Second, some of the expenses in the proposed FY20 budget will be one-time expenses, incurred only in FY20. These include the increased funding for the MMI and funding for training for the stewardship council and safe congregation response team. Third, the budget proposes some changes in staffing structure that will significantly benefit our programming. We believe that we will be able to maintain these staffing changes in future budgets. Finally, we are optimistic that stewardship work in the coming years will allow us to improve our financial stability.

Respectfully Submitted,  
Susan Bartlett  
Chair, Operations Council

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<sup>6</sup> The approved FY19 budget projected a *deficit* of \$9,983 and included significant reductions in UUA dues and the building reserve fund contribution.

<sup>7</sup> The end of the year reserve in FY20 exceeds that projected in the FY19 budget by approximately \$45,000. Thus we will end FY20 in a slightly better financial position than projected and approved for FY19.

## **Annual Budget Compensation Reporting**

As an employer, FUUSN strives to apply industry best practices regarding staff compensation management. Accordingly, we have chosen to show staff salaries and benefits as a combined total by broad category rather than by individual. This approach helps to protect the privacy of our employees and provides a partial safeguard against the use of individual compensation information for improper purposes. This condensing of compensation is for reporting purposes only. A more detailed budget is available in the office for members of the community wishing to read it.