MEMORANDUM

TO: UUA Board of Trustees and Finance Committee

FROM: Tim Brennan

RE: UUA Budget for fiscal year 2010

CC: Bill Sinkford, Kay Montgomery, Terry Sweetser

DATE: March 23, 2009

Summary

In the current economic climate, preparing the budget for FY10 has been extremely challenging. Overall, both projected income and expenses are $3.2 million below the FY09 budget. We are able to submit a balanced budget for our next fiscal year due to outstanding work by the UUA Leadership Council and staff. Everyone has collaborated in a process of rethinking how we do our work and imagining how we can be more effective even as we reduce expenses. Nevertheless, it has been necessary to reduce staff levels: the FY10 budget assumes 13 fewer full-time-equivalent positions than the FY09 budget passed by the board one year ago. Most, but not all, of these reductions were achieved through attrition. Other cost savings were achieved through:

- Significant reductions in overall staff travel and travel related expenses. We will be making much greater use of online meeting technology.
- No salary increases. However, we have been able to balance the budget without reductions in salary or benefits. In addition, some employees have taken advantage of selectively offered unpaid leaves.
- Elimination of hard copy printing of Interconnections, The Religious Leader, the Directory and the monthly congregational mailing (implemented this spring). All of these publications will continue to be offered electronically, some with additional content and features.
- The Congregational Services staff group will be eliminated as a unit, and departments will be reassigned to other staff groups.
- With Gini's guidance, the budget for the board, committees, and task forces was reduced significantly.

Throughout the current fiscal year, as we have watched the broader economy falter, we have had to revise the UUA's revenue projections and reduce spending. Thus, many of the steps necessary to balance the FY10 budget are already underway.

The following analysis will focus on changes from the FY09 to the FY10 budgets.

Notes on Significant Changes from Budget FY09 to Budget FY10

Overview Report Format

The accompanying report has six columns as follows:

- FY08 Results: this shows the actual results for last fiscal year.
- FY09 Budget 3/05/08: this is the FY09 budget that was approved by the board at its April 2008 meeting, one year ago.
- FY09 2nd Quarter Forecast: this is the projection for the current fiscal year presented to the Finance Committee at its January 14 meeting.
- FY10 Budget 3/04/09: this is the budget that the Administration is submitting for consideration by the BOT.
- FY11 Budget 3/04/09: this is the "out-year" budget to be received by the BOT.
- Percent Inc/Dec 09 to 10: this shows the percent increase or decrease from the FY09 adopted budget to the submitted FY10 budget.

Overall Income – down 14.8%

Fundraising – down 11.3%

APF is projected to decline by $550,000, which, while a substantial amount, is less than 8%. Friends, on the other hand, will also be down by over $500,000, but this represents a decline of 30%. Over the past several years, unrestricted bequest income has exceeded the budgeted amount significantly; therefore, in these tight economic conditions, the budget allows for an increase of $25,000 to $450,000.

General Investment Income – down 11.2%

The UUA's spending policy calls distribution of 5% of the asset balance averaged over the previous 13 quarters. This policy moderates the decline in distributions from the endowment which, if they were tied to the current asset balance, would be down by over 25%.

Campaign Income – collectively down by 46.2%

Note that income from campaigns included in the operating budget includes funds that will be expended on programs during the fiscal year, not the total amounts pledged or collected. Major gifts to the Now is the Time Campaign (-51%) are projected to be down significantly since major donors frequently fund their gifts by liquidating or giving securities. Our most generous donors continue to be committed to Unitarian Universalism, but are not inclined to be making gifts in the current financial market. Campaign gifts, for the most part, fund important projects – such as the national and regional marketing campaigns – but do not support core services.

Veatch Grants – up by 3.6%

This increase reflects several changes. The core grant from the Veatch program will increase slightly to $960,000. But a special grant from Shelter Rock received last year will not be repeated in FY10 and only a small portion will be expended next year. The UUA has requested a special grant for a youth and young adult project, but it has not yet been approved. The Veatch grant in support of the UU Funding Program will increase by $200,000 or almost 20%.

Holdeen Trusts – down by 3.7%

Distributions from the Holdeen Trusts, like those from the endowment fund, are based on a percentage of assets averaged over three years. Further, some reserves are being drawn down to allow continued support to international partners.

Income for Other Purposes – down by 14%
Transfers from the General Insurance Program (fees from dental, life and disability insurance for our congregations) have been increased to fully fund the Office of Church Staff Finance. More than offsetting that is a $374,000 (21%) decline in endowment distributions designated to fund campaign expenses. This is driven by the winding down of the Now is the Time Campaign. Note that in FY11, the endowment earnings for fundraising declines to 1% of assets from the current maximum allowance of 2%.

Overall Expenses – down 14.8%

Board and Volunteer Leadership – down by 12.2%
Savings from reduced meeting expenses and travel yielded savings of $100,000.

Advocacy and Witness – down by 1%
Reductions in staff and operating expenses have been almost entirely offset by the new public witness campaign focused on attracting media coverage that will be funded through major gifts.

Congregational Services – down by 67.2%
The reductions arise from three major changes:

- Regional and national marketing campaigns have been largely eliminated.
- The Young Adult and Campus Ministry program has been moved to Lifespan Faith Development
- The entire staff group is going to be reorganized with departments assigned to other staff groups as appropriate. The reorganization plan has not been completed and is not reflected in this budget except for the resulting staff cost reductions.

District Services – down by 1.8%
Most expenses in this staff group are made up of shared payroll expenses with the Districts. This support has not been reduced. In addition, the District Services budget reflects APF grants of over $700,000, the formula for which is tied to the previous year and thus does not decline with revenue. Other expenses and programs were reduced by approximately $100K.

Identity Based Ministries – down by 16.8%
A limited term staff position was planned to terminate at the end of FY09.

Lifespan Faith Development – up by 3.9%
This reflects the transfer of the YACM budget from Congregational Services and the consolidation of all Youth activities in LFD. This increase masks reductions in payroll expense, travel, printing and other operating items.

Ministry and Professional Leadership – down 15.1%
In FY09, programs on Excellence in Ministry and Lay Theological Education were funded with donations of $350K from Association Sunday. These expenses did not carry into FY10. Other operating expenses such as travel and supplies were trimmed throughout.

UU Funding Program – up by 19.3%
Veatch support for this grant-making program has increased substantially. Administrative expenses are flat.

Crisis Relief and Miscellaneous Programs – down by 8.8%
Reduction is due primarily to the spend-down of a restricted fund.

Communications – down by 4.6%
Despite increases in printing and postage costs, overall expenses were reduced. Also reflects the elimination of printing and postage costs for the Directory, Interconnections, and Congregational Mailings.

Administration – down by 9.8%
Payroll expenses are down from FY09, and the HR budget for hiring and training has been reduced by $60,000. The contingency, which is calculated based on unrestricted income, is down by $45,000.

Stewardship & Development – down by 21.5%
Decrease is primarily due to winding up the Now is the Time Campaign. Certain staff positions have been left empty until the start of another comprehensive campaign.

Information Technology Services – down by 17.8%
ITS staff has been reduced by 1 ½ positions.