



Financial Strategy 2022/ 2023

Budget overview

- Our revenues are driven by pledges (about 50%, item 4000) and rentals (about 40%, item 4400).
- Our expenses are driven by staff salaries across all our programs (distributed across the budget).
- Based on Terasa's assessment, we generally have the right staff structure; it would be counterproductive to try to create meaningful savings by reducing individuals' hours.
- Hybrid services and activities create a new layer of work for all. By filling the open part time administrative role, we can support religious education, social justice programs, communications, and worship needs, freeing other staff and lay leaders to be more effective.
- With an open social justice position, this is the right time to hear from the congregation what we collectively want and need to support spirituality through justice work. By late summer we will have a report from the consultant and advisory group based on which we will determine what's needed. We have budgeted a half time position for 9 months so costs are covered if that is the way we decide to proceed.
- Elizabeth Campo and Eddie Martinez continue to do an excellent job managing expenses. There is one major proposed change for 2022/ 2023: to shift health insurance providers to avoid sizable increases and experience a savings from current cost; staff have provided input.
- The UUA calculates a "Fair Share Contribution" based on each congregation's size and budget; ours would be \$53,000; in the current budget year we paid \$23,000. Given the significant benefits and support we've received in particular during the interim and ministerial search period, we want to contribute as much as possible, at least showing meaningful increases each year.
- We want to maximize our reserves and aim to cover all operating costs from generated revenue; ideally, we could cover one-time \$25,000 ministerial search costs in this budget but if needed the finance committee supports taking it from reserves; the following year we will presumably have minister moving costs and other one-time transition costs.
- To recognize our commitment to Net Zero, 8th Principle, and contributing annually to the maintenance reserves, we added line items to the budget for each, though for this year each is budgeted at \$0. Grant funds may be raised, in particular to support 8th Principle work. Some Net Zero related expenses are included in other line items (e.g. utilities and maintenance).

Staff salaries

- We value the excellent work of our talented staff and recognize that overall our salaries are low compared to UUA guidelines. For years we have sustained and continue to sustain living wages based on local conditions. We prioritize keeping staff whole through cost of living increases. This does not actually provide for merit increases.
- Last year (June 2021 – May 2022) we provided 3% cash bonuses to staff as an equivalent to cost of living increases; we did not have reliable ongoing revenue at that time to make these permanent salary increases but want to be able to do that by including the 3% into salaries.
- For the 2022/2023 budget year, UUA cost of living increase suggestion is 5.3% (on top of the 3%).
- Increasing staff salaries to keep up with inflation is a top-priority equity action. In the next year we will develop a multi-year plan for bringing our salaries to a desired level.



2021/2022 budget

Last year we proposed an austerity budget based on pledges at that time (\$480,000), with five priority expenses to add if revenue was available. Thanks to generating a projected additional \$30,000 - \$35,000 in pledges over the year and receipt of one time Employee Retention Credit funds from the IRS, we were able to cover all priority expenses, add to our reserves, and anticipate approximately a \$20,000-\$30,000 operating surplus at the end of the year. This is the first time in over 20 years that our pledge collections have *exceeded* the pledge budget.

2022/2023 proposed budget

Elizabeth Campo (Operations Director), Andy Eaton (Treasurer), and the finance committee worked on multiple budget scenarios. Based on recent pledge results, the Board proposes the following budget to the congregation for adoption at the May 22nd annual meeting.

Another significant milestone: pledges in hand at this time (\$509,000) represent the first increase in eight years.

Key budget assumptions

- Pledges = \$520,000
- Staff cost of living increases = 3% (for 2021/2022) + 5.3% (for 2022/2023)
- Ministerial search costs of \$25,000 paid out of general reserves
- UUA contribution = \$30,000, increasing toward fair share of \$53,000

Total Income	\$1,119,353
Total Expenses	\$1,103,380
Budgeted Operating Surplus	\$15,974

Income

Item	21-22 projected	22-23 proposed	Comment
Pledges	\$510,000	\$520,000	
Offerings and Gifts and Fundraising	\$41,443	\$40,000	Dining 4 Dollars, donations, etc.
Rental Sequoyah	\$376,165	\$412,276	Year 3 of a 7 Year Lease
Rental Other	\$65,227	\$73,880	Predominantly the Japanese School, a very predictable revenue stream
Ministerial Intern	\$13,440	\$13,440	Draw from Jordan Endowment per 21-22 vote
Released from General Endowment Earnings	\$10,000	\$34,800	\$9,800 from General Endowment (5% per policy) and \$25,000 from General Reserves (one time expense for Search)
Released From Maintenance Reserves	\$15,000	\$10,000	For large maintenance items - will bring us below requirements by \$20,000-\$25,000 depending upon the market.
Other Miscellaneous Income	\$26,684	\$14,950	Includes OWL, Bank Fees, Program Specific Gifts, etc.
Employee Retention Credit	\$132,665	\$0.00	All Cares Act credits were applied for in 21-22
Total Income	\$1,198,811	\$1,119,353	



Expenses

The largest expense is staffing (salaries, taxes, taxes, benefits, etc.). This budget includes a cost of living adjustment (COLA) from the last fiscal year and the current fiscal year which due to inflation keeps staff pay whole but not effectively increased.

Item	21-22 projected	22-23 proposed	Comment
Worship	\$164,749	\$168,235	Includes Interim Minister and Intern
Music and Arts Program	\$105,515	\$112,465	
Religious Education Programs	\$65,580	\$74,737	
Membership Services and Communications	\$51,592	\$57,317	
Pastoral Care Program Expense	\$15,272	\$16,027	
Social Justice	\$31,300	\$30,130	Part time position or consultant in the fall if that is the consensus from the survey; includes Social Justice projects
Fundraising Expenses	\$4,150	\$4,250	
Personnel	\$122,651	\$135,550	Includes payroll taxes, retirement contributions and benefits
UUA Dues, Board Expenses	\$23,900	\$31,750	Moving toward "UUA Fair Share" (which would be \$53,000)
Search Expenses	\$0	\$25,000	From the General Reserve since it is a one time expense
Administration	\$204,604	\$196,453	Includes a part time support position for RE and Administration contributions
Facilities and Operations	\$258,015	\$213,466	Includes Custodial and Facilities staff, supplies, repairs, etc.
Reserves and Maintenance	\$145,842	\$33,000	21-22 Projection includes transfers to the General Reserves and Maintenance Reserves
Total Expenses	\$1,174,215	\$1,103,380	
Net Operating Income	\$24,596	\$15,974	

Additional carryover income and expenses from restricted funds, prepaid pledges, etc, are not shown here.

Beyond the budget

We are at the challenging in-between size where we have the appropriate staff structure but can't fund it with current pledge income (as per Terasa's assessment and current pledge results).

Looking forward, revenue growth of some kind is necessary. Over the next year, the **finance and stewardship committees will explore three budget-related issues:**

*How does our **staff compensation** compare to the UUA mid-range for our region and other meaningful salary analyses? Develop a multi-year plan to bring salaries to a desired level.*

*What choices will best **generate member interest** consistent with our values and mission? Non-exhaustive list of possibilities:*

- Signal our financial prudence and health to potential ministers who will bring growth in years 2 - 4, e.g. reserves, stepwise increases to UUA, minister salary...
- Membership activities and programming to bring in older young adults/ families with means to make sustainer level pledges
- Sustain our fabulous music
- Vibrant social justice programming, engagement, and outreach based on the results of our study, to draw in "nones" looking for meaningful ways to make a difference

*What **revenue growth** can we develop consistent with our mission and values?*

- Further maximize revenue from our facilities (we're doing SO well here it's hard to find more): e.g. refresh rental rates, parking lot rental, commercial filming...
- Grants
- Other fundraising, e.g. vacation housing rental program for Rose Parade, sell labyrinth pavers...

The board will support appropriate revenue growth for priority expenses.

Simplified Balance Sheet as of March 31, 2022 (excludes land and buildings)

Category	Amount	Comment
Assets		
Cash (Checking plus PayPal)	\$138,407	
Vanguard Maintenance Reserves	\$268,529	Total account balance
Vanguard General Endowment	\$294,919	Total account balance
Vanguard Internship Endowment	\$169,754	Total account balance
Vanguard Racial Justice Endowment	\$21,328	Total account balance
Vanguard Preservation Fund Endowment	\$26,266	Total account balance
Vanguard General Reserves (Cash)	\$9,000	
Total Other Current Assets	\$10,116	
Total Cash Assets	\$938,319	
Liabilities		
Total Liabilities	\$63,252	Credit card, Security deposits, prepaid pledges, miscellaneous program fees
EQUITY		
Temporarily Restricted Funds		
General Reserves	\$9,000	
Maintenance Reserves	\$252,166	
Jordan Endowment Interest	\$48,583	net gain in value
General Endowment Interest	\$67,133	net gain in value
Racial Justice Interest	\$2,149	net gain in value
Preservation Fund Interest	\$2,477	net gain in value
Unrealized Gains/Losses & Stock Income	(\$43,462)	
Grants	\$4,025	Truth and Reconciliation Grant
Perm. Rest. Funds/Endow. Funds		
General Endowments	\$169,726	Principle
Jordan Internship Endowment	\$127,702	Principle
Preservation Endowment	\$25,500	Principle
Racial Justice Endowment	\$20,100	Principle
Program Funds	\$27,025	Esperanza, Spaulding, etc.
Total Cash Liabilities and Equity	\$938,318	

Note for Balance Sheet. This does not reflect a number of activities after March 31 that positively impact our balance sheet, including receipt of the Employee Retention Credit (net ~\$126,000), used predominantly to increase our general reserves to \$82,000 and to add further to our maintenance reserves.