

Focus on Finances Meeting
Sunday November 16, 2014

Please see presentation slides linked below these minutes to increase understanding of the minutes.

Board President Dennis Strain facilitated the meeting.

OVERVIEW OF THE CIF

Michael Campbell, Finance Council Chair and Consolidated Investment Fund (CIF) Treasurer

Bill Morrow, Investment Committee Chair

The CIF has six components:

General Endowment: largest and unrestricted

Memorial Fund: unrestricted; typically used for capital improvements

Music Maintenance Fund: used for music program expenses; contributes \$1700-2000/year to operating budget for piano and organ tuning/maintenance

Nicky Brown Education Fund: grants for education expenses of \$1000-\$2000/year for members

Sullivan Assistance Fund: assistance to the needy; contributes approximately \$6000/year to the operating budget to pay pledges for those who are unable

Edna Jones Maintenance Fund: newly created for repairs and improvements to the property (see below)

The Eliza Justice Fund, previously managed by Wells Fargo, was moved into the general endowment.

The CIF funds have been managed by Trillium since 2008. The Investment Committee was formed around that time to investigate possible advantages to moving the funds from PNC bank. Trillium was attractive because it does socially responsible investing. We pay less than 1% in management fees. Performance with Trillium has been good. We do have a CIF cash account that remains at PNC.

Trillium doesn't manage the component funds separately; the CIF Treasurer allocates the CIF into its individual component funds. The fiscal year starting fund balances are determined by the CIF Treasurer each July 1st by adding revenue, subtracting expenditures, and allocating proportionate annual gains/losses to each fund's June 30th balance. Please see slides linked below these minutes on the webpage for balances of individual CIF funds.

A portion of the CIF has been used for many years to support operations. Currently we are allocating 4% of the CIF's annual total return toward operations. The CIF should grow by 9% a year. The total return percentage is based on anticipating what will happen to the market over a period of time. The total return percentage is chosen to be less than the investment growth so the CIF continues to grow. The total return amount is calculated as an average over three years so it increases and decreases gradually. This will mean more toward the budget in strong markets and less in weak markets, but it allows the principle to continue to grow. Currently, closer to 11% of the CIF is contributed to operations annually which is generally more than the account earns in a year thus decreasing the principle.

Edna Jones left the bulk of her estate, \$295,621, to USG. Last year, the Board decided to use a portion of her bequest to pay off the Sullivan Chapel renovation loans (\$123,254) and the remainder (\$172,367)

to create the Edna Jones Maintenance Reserve Fund. The intention is not to use the Edna Jones Maintenance Reserve Fund for anticipated and planned building expenses; those will continue to be paid from the annual operating budget. The Fund will be used for unplanned emergencies. The Building and Grounds committee is working with the Ministry Executive Team, to create a procedure, which will be approved by the Board, about how the reserve fund will be managed. The money in the Edna Jones Maintenance Fund will be invested with the other CIF funds where it will continue to grow if it is not tapped.

Unplanned/Extraordinary CIF Expenditures

The Sullivan Project loan program was created to fund the first phase of the Master Plan. We were able to find lenders, but we did not have the operating income to pay off the loans. So the loan payments were paid made from the endowment. We have also used the general endowment to pay the UUA and JPD annual dues when we didn't have the income to cover them. And sometimes there isn't enough money in the operating cash account to make payroll so money is loaned from the general endowment.

The FY15 operating budget includes contributions from the CIF. The \$27,000 represents the 4% total return that is traditionally contributed to the operating budget. The supplemental \$48,000 is the amount the Board authorized to be taken from the General Endowment to balance the budget. The \$5,000 to the AV upgrade was authorized by the Board as required by the JPD if they were to give us the \$20,000 grant. We also received a special \$5,000 gift to cover the balance of the \$30,000 cost of the new video and sound system.

CONTRIBUTIONS

Rudy Sprinkle, Financial Secretary

Rudy presented a picture of contributions for the period from 1993 through 2014. The numbers may not have been exact, but the patterns were clear. (Numbers for 2008-09 are not available.) In 1993, we took in almost \$146,000 in contributions (plate income) and pledge payments. The "total from members" amount includes extra gifts and fundraising. We're at 124% of what we were 21 years ago and giving has gone up practically every year. Income has continued to climb. The last couple of years we have gotten more special gifts. We can generally expect \$2000-\$7000 in special gifts. We have also had additional money come in for special projects, renovations for the office and air conditioning for the sanctuary among others. Other Member Income (includes the auction and grants) has more than doubled since 1993, \$25,000 to \$65,000. In the first 18 weeks of our current fiscal year we have brought in 32% of our pledge amount. Income is not regular, but we are very consistent. Our fiscal year is July 1- June 30.

BUDGET COMPARED TO ACTUAL

Beth Lazer, Ministry Executive Team member

The variance of actual from budgeted revenue is the difference between budgeted and actual income excluding funds coming in from the CIF. We tend to under-budget fundraising, like the auction. We are over-budgeting other areas of revenue. We brought in 98% of our pledge goal last year, but that means we were short \$7000. We probably need to look more carefully at patterns. We may need to be less optimistic in budgeting. We should set the budget based on past history not what people say they will do.

BUILDING MANAGEMENT AND EXPENSES

Scott Murray, Buildings and Grounds Co-Chair

We operate, maintain and care for this wonderful old building within budgetary constraints. We work to priorities, safety is the first priority. Secondly, we preserve and protect. Our worst enemy is water; it comes in through the roof, because of poor original gutter design. We also sometimes have steam pipe ruptures. We try to enhance the property for members and potential renters. And periodically we try to make cosmetic improvements. In 2010, we had five areas in the building that were deteriorating and needed to be dealt with. We try to deliberately care for at least one problem area per year. We try very hard to be fiscally responsible. In 3 of 4 years from 2010-14, we were under budget. Over the four years, we were under by about 6%. One year went over by \$2000 out of an \$85,000 budget because of an electrical fire in a panel outside the ladies room. We were lucky the sexton was here to put the fire out before it spread. We have spent \$23,500 less than budgeted over that four year period. We recovered all costs from the tree falling on the Youth Lodge except our \$10,000 insurance deductible. The Sullivan project was larger than just the Sullivan wing. There were apartment renovations so we could generate income from it, there was the renovation of the stage to create the RE office, and the last step was the electrical upgrade from 200 amp (normal for a house) to 600 amp which much more appropriate to a building this size. None of those is a recurring expense.

With the money in the budget, we did lead paint remediation in the Sullivan hallway, we replaced an unsafe sidewalk on Lincoln Drive, patched trip hazards in the parking lot, restored the chair lift to functionality, built a new access ramp and added air conditioning to the Assembly Room. We refurbished water damage in several rooms and the sanctuary. Our intention for the Maintenance Reserve Fund is not to use it for routine, planned maintenance, but to use it for the unexpected expenses that are not manageable in the budget.

Operating costs: We have saved about \$10,000 a year in heating costs. We have also saved almost \$21,000 in the last three years thanks largely to Bill Blasdel's efforts on reducing storm water charges through grants and other strategies.

STAFFING

Patricia Hamill, Personnel Committee Chair

Rev Kent Matthies

The USG Staffing costs indicate that the total for salaries has increased almost \$100,000 in five years. Patricia urged that we think of salaries and benefits in the context of the UUA's Fair Compensation guidelines established in 1995. USG committed to becoming a Fair Compensation congregation 5 years ago so since then our staff salaries are determined using those guidelines. We are committed to following the fair compensation guidelines; we think it's the right thing to do. The UUA recommends minimum, midpoint and maximum salaries. These are established through data that comes from federal, religious and non profit sources. The guidelines also take into account geographic area and congregation size. Each year the Personnel Committee looks at cost of living increases, compares them to the guidelines, and makes salary recommendations to the Board during the budget preparation period. The increases in staff costs are largely due to changes in staff size; the individual salary increases have been very modest, hovering around cost of living, on average 1.7-2% yearly.

What we have tried to do in the last five years is match up our staffing with the needs of the congregation. We now have a larger staff with higher level responsibilities. Some of the changes we have seen are having Rob Keithan as Consulting Minister, then Joan Javier-Duval as Intern and Consulting Minister and now Daniel Gregoire as Assistant Minister. We have had well trained, experienced people in the Director of Faith Development position, with Jody Wheldon and Daniel. We work with the Board, the Ministries and Programs Council and now the Ministry Executive Team to make staffing decisions.

Kent highlighted programs and services where the staff has had extra impact. He recognized that much of what staff does is in collaboration with members, volunteers, and teams/committees; staff play an important, but not the only, role. The office staff provides excellent communications. Staff and volunteers are now offering two Sunday morning services, after lots of evaluation to make sure this is the right thing to do. The second service costs \$12,000-13,000 per year, mostly for music. Last year we had the highest Sunday morning attendance in four to five decades, the mean average was 225 for 10 month period. We have 11 Small Group Ministry groups with a total of 114 members. The staff is very involved with fundraising and was involved in securing our new AV equipment. Last year the income to the operating budget from households (this doesn't include special gifts) was \$348,000, possibly the highest number in the history of the church. The staff was also helpful in securing some of the special gifts for the operating budget. Staff also has pastoral care responsibilities to 310 members plus children and contributing friends; 500 human beings total are provided pastoral care by the staff and the Caring Committee volunteers.

Membership numbers: 2010: 297, 2011: 310, 2012: 311, 2013: 304, 2014: 307. We will report the number for this year in February.

GOVERNANCE CHANGE

Andrea Parry, Chair of the Board's Governance Task Force

In response to concerns that the new governance structure was not presented to the congregation for a vote and that there was not enough communication about the changes the new structure would bring, Andrea Parry spoke about the Governance change. While serving as Board Vice-President, Andrea was appointed to chair the Governance task force, charged with evaluating revisions to USG's governance structure. The Task Force worked closely with the Board throughout the evaluation process. Once the Board made the decision to move to the new governance structure, the task force communicated the governance change through meetings, mailings and the website. In the new governance model, the congregation has an important role, as discerners, helping decide what we want to do and how do we want to do it. Andrea reminded the members that leaders are working hard to implement the new governance structure. Andrea offered additional meetings if there are still concerns about the new structure. Addressing what should be decided by the Board and what should be decided by the congregation are legitimate topics for future discussion.

FY 14-15 OPERATING BUDGET

Dennis Strain, Board President

Dennis highlighted various aspects of this year's budget. Last year's Stewardship drive projected

pledges at \$325,000; actual pledges were \$318,000; the budgeted pledge amount is \$320,000. Denomination dues are important because of the resources available to USG from the UUA and the JPD. USG received a \$20,000 grant for the new AV system because we pay our dues. In fiscal year 2012-13, the budgeted amount for dues was lower because that Board decided to only pay half the dues because of the deficit. The next year's Board decided to take the money out of the endowment to pay the balance. This year our dues are \$26,208 which is 5% of expenditures.

For fiscal year 14-15, Budgeted Revenue is 57% from pledges, 13% from rentals, 9% from supplemental transfers from the endowment, 7% in the total return from the endowment (the 4% of the endowment's earnings that we discussed earlier), 8% other giving and 6% fundraising. Program income is down because members no longer pay ASD and CSD fees. Non-members are still charged.

For Budgeted Expenses, personnel is 65%, property is 19%, programs 32% (the majority of that, about \$22,000, goes to worship arts for musicians and speaker fees), dues are 5%, administrative costs are 5%.

Coming year guidelines for budget preparation: we would like to continue follow Fair Comp guidelines for salaries, to pay our full dues and to do proper building maintenance. We have directed the Ministry Executive Team to find ways to increase income. We all need to work together on this. I have heard some excellent ideas today. There are grants, rentals, fundraisers we could pursue (arts festival, flea market, legacy programs, etc).

QUESTIONS AND COMMENTS FROM THE CONGREGATION

There were questions about whether the amount of staff we have is appropriate for the number of members we have. There was a recommendation to look back at the master plan to see the recommended staff size relative to membership. This will be addressed in a future meeting.

There was a concern that we have had deficit budgets for 13 years which we agreed to tolerate as long as we were growing, but we do not appear to be growing. And a question about whether it was appropriate for a church the size of USG to have 2 Sunday services.

Several people commented that the congregation should be much more involved in building the budget and that the congregation should vote for it as a way to increase congregational buy in and generosity. Several also commented that we need to be much more active in trying to increase the church's income.

There were also several people who encouraged a plan for membership growth and a request for more reporting from the Board, the Finance Council, the Stewardship Committee and about membership numbers.

CLOSING

Dennis thanked everyone for coming, and indicated that the Board will plan more meetings to talk about some of the issues raised at the meeting and to increase the amount of information the congregation receives.