

Budgeting

I. PURPOSE AND IMPORTANCE OF BUDGETING

One of the important tasks that we do each year for our parishes and schools is to prepare an annual budget. Every parish is to operate within a balanced budget. But unlike many for-profit endeavors, we are also charged with using our resources to meet the pastoral needs of our people. As those resources are usually limited, the task of budgeting realistically is essential.

Accurate historical information is a prerequisite to begin budget planning. The budget process requires pastors, principals, administrators, and other concerned parties (your finance councils, pastoral councils, ministry heads) to study the future so that a formal plan can be developed to achieve both the short-term and long-term goals of their parish/school. It is impossible to contemplate the future without examining the past. Reliable, up-to-date information will assist you in making informed decisions and arriving at realistic budgets, and will reduce the reactionary decisions.

We are also charged with submitting timely monthly financial reports. These financial reports, when properly prepared, will provide you with some of the information you will need to develop a realistic budget. You should consider your historical financial information, and factor into that the plans the parish/school has for the future, e.g., which programs are effective that you wish to continue or which programs are perhaps less than successful that should be revised or discontinued. The budget is not just created, filed with the Diocese, and placed on a shelf. By using your budget throughout the year, control over expenditures can be exercised. If there are significant variances from the budget, either positive or negative, inquiries can be made and corrective action can be taken. Your current actual operating results, and how they vary from your current year's budget, will provide you with a barometer to develop the upcoming year's budget. Additionally, you should review financial operations for the prior three fiscal years. This will highlight any significant trends that the parish should take into account when budgeting.

If you objectively examine those actual operating results, you will avoid the tendency to be overly optimistic. Budgets should be conservative -- based on realistic expectations about what might happen. Increases in revenue lines should be limited to those situations where an actual plan exists to warrant that increase, either because of increased participation or an increase in the rate charged to participants. Avoid the temptation to "plug the difference." Since a parish should not submit a budget with deficit spending, an easy solution is to create an artificial expectation; however, that is setting yourself up to fail before you begin.

Involve the appropriate people in this budget planning process – those who need to be informed. Ministry heads should be apprised of how their program costs are tracking against

the budget, what changes may need to be made to their programs and why. Information will lead to collaboration, buy-in, and accountability.

If a parish/school is unable to arrive at an operational balanced budget, they should contact their Parish Support Manager in writing, explaining why there is a budget “deficit,” how they plan to meet this deficit, and what steps they are taking to remedy that situation in the future. We simply cannot spend more than we take in.

II. PLANNING STEPS IN BUDGET ANALYSIS, DEVELOPMENT and CALENDAR

Gather the information you will need to begin the budget process:

- ✓ Six-month current year financials, with variances to current year’s budget and actual
- ✓ Historical financials for the most recent three-year period
- ✓ Current staffing – compile a list of staffing, by department/function, and quantify the employee cost. (Your business office should use recent payroll registers and benefits invoices for source data). We have provided a template to assist you in this step – see Attachment A.
- ✓ Standard Budget Assumptions for the upcoming fiscal year provided by the Diocese – see Attachment B.
- ✓ Sacramental and census information
- ✓ Religious education enrollment, and fee per student costs
- ✓ Outreach families assisted
- ✓ Fundraising events planned, and their anticipated revenue/expense for each event
- ✓ CYO activities and the revenue/expenses associated with those programs
- ✓ School enrollment, quantifying enrollment by student and category
- ✓ School staffing – the salary scale is updated by the Diocese and provided to pastors, principals and school board.
- ✓ Any other pertinent information that is specific to the operation of your parish

The following outlines the steps in the budget process once the above information is compiled (please see Attachment C for this year’s due dates):

- ✓ Using information noted above, the business office will compile a first draft for the pastor’s review (Attachments D & E are the parish/school budget format in Excel. These can also be accessed on the Diocesan website – www.drvc.org – under the Parish Support Center page).
- ✓ Pastor will review with the various ministry heads, school principal, pastoral council, or whomever he feels appropriate and will modify if needed based on their input.

- ✓ Budget discussions with Finance Council, and Parish Trustees. Pastor may seek their advice to reach the parish goal of operating within a balanced budget.
- ✓ Budget agreed upon by the Pastor/Principal/Administrator
- ✓ Your Parish Support Manager is available to provide guidance on balancing the budget, if necessary.
- ✓ **Budget submitted electronically by the Parish, via Diocesan portal by the date on Exhibit C. Once the Parish submits the budget, it will indicate “waiting approval.”**
- ✓ **Your Parish Support Manager will review your submitted budget, and approve or request further information (e.g.: salary/benefits schedule, marketing literature surrounding planned fundraising, etc.).**
- ✓ Once your budget is approved by the Parish Support Manager, the Parish will see a “checkmark” on the portal reflecting that it has been “submitted.”
- ✓ At this point, the Pastor will present the finalized budget to the trustees for their signature. (The signed budget obviously must agree to the electronically-submitted budget).
- ✓ **The signature page should be mailed to: Office of Parish Support, 379 Linden Street, Massapequa Park, NY 11762; Attn: [Parish Support Manager].**
- ✓ Your business office should enter the finalized budget in your general ledger, so that you can track the Parish’s progress of actual performance against the budget.
- ✓ The Parish should review financial performance (actual versus budget) – at a minimum – quarterly. Parishes that monitor their performance are more likely to achieve success.

III. Budget Guidance Related to Parish Revenues and Expenses

REVENUE AND SUPPORT

Collections

Collections should be based on the most recent data adjusted for any trend lines. A parish that has seen its collection revenue decrease by 1% for several years should probably budget a 1% decrease for next year. On the other hand, a parish that has an annual stewardship renewal with a demonstrated track record might budget an increase in the upcoming year based on its past experience.

Fundraising

Fundraising revenue should be budgeted at your best estimate for actual fundraising initiatives that are planned and will be implemented.

Parish Programs

A careful review should be performed of all fees charged for parish programs. Fees should be adequate enough to defer a significant portion of the expenses of the program without discouraging people from participation. Keep in mind that many times when we look at program costs we do not include the salaries and fringe benefits that relate to these programs. We also do not include the facility costs (utilities and custodial services). It would be a useful piece of information to know what your neighboring parishes are charging. It is also a good practice to make regular modest adjustments to fees rather than larger ones on irregular intervals.

When parishes are faced with an operational deficit budget, it is also prudent to evaluate if program revenues cover program costs. When programs are shared with neighboring parishes, both parishes should experience a decrease in costs for these ministries. In some cases, this may be the only way to keep programs operating. Program revenues should cover program costs, and changes to fees or sharing programs are ways to assist in the balancing of the overall parish budget.

Auxiliary Revenue

This category of parish revenue includes the categories of Perquisites, Votives, Poor Boxes, Convent Rental, Bulletin Commissions, Donations and Bequests. Contracted revenues from convent rentals and the bulletin commissions should be based on the payments that are reflected in the contracts. Donations and bequests should be conservatively estimated because they vary each year, and although past experience will help determine what to budget for these line items, overly optimistic revenue projections can lead to a budgetary shortfall. Each of the lines under this category should be estimated based on the most recent information available.

EXPENSES

Salaries

You should review the staffing levels for the next budget year. Use the schedule (Attachment A) provided by the Diocese to summarize staffing costs. Salary increases should not be budgeted or granted unless they can be accommodated in the budget without creating a deficit.

Fringe Benefits

After determining the appropriate staffing levels, you are able to develop a budget for fringe benefits. You can expand on the salary schedule by calculating the costs of fringe benefits for each employee using the most current information available and the standard budget assumptions for increases (See Attachment A).

Parish Programs

All expenses incurred in running these programs should be carefully reviewed. This category includes the direct expenses of programs but does not include the related salaries and fringe benefits. It also does not include facilities costs. These direct costs should be reviewed and perhaps competitive pricing should be performed. The Office of Procurement can help in this area.

Other Parish Expenses

School Subsidy – will be based on the school budget needs and parish available resources. Parishes that do not support a regional school or a parish school pay 12% of collections for Non School Assessment in fiscal year 2017/18 (based on fiscal year 2016/2017 reported collections).

Printing and Office – this area should be based on most recent activity and use a general inflation adjustment for budgeting purposes (see Attachment B).

Auxiliary Expenses – expenses for liturgical items should factor in changes in music or other materials.

Rectory/Household – food and household expenses should be based on current trends and use a general inflation adjustment for budgeting purposes (Attachment B).

Building Utilities and Maintenance – Use the general inflation (Attachment B) rate except where special guidance is given in the standard budget assumptions.

IV. Budget Guidance Related to School Revenues and Expenses

REVENUE AND SUPPORT

Tuition & Fees – tuition and fees should be established by the end of March for the following school year beginning in September. The enrollment figures should be based on the actual number of registered students.

Subsidies – Subsidies are set by the parish for parish schools and should enable the school to breakeven. For regional schools the general rule is 15% of collections of associated parishes. The actual decision of how much support is given by each parish within the region is made locally by the Executive Board of the school.

Fundraising/Development – revenues from fundraising activities should be based on the specific fundraising the school is planning for the school year and should consider previous experience. Fundraising committees should be given specific fundraising goals that underscore the importance of these activities.

Other Operating Revenue

Other Income – Mandated services are based upon completion of reports of activity levels. Mandated service income has been inflated these past two years, a result of back payment by New York State. Do not rely on this inflated rate for the 2017/2018 budget. Gifts and donations are dependent upon development activities. Tomorrow's Hope collection should be based on prior experience.

Activities Fees – these fees should be approximated based on activity levels and fees charged.

Student Services – revenues based on food service program should be based on previous activity.

EXPENDITURES

Administration – salaries for administrative staff should be based on agreements in place for September.

Other Administrative - these expenses should be based on most recent activity and use a general inflation factor percent increase.

Instructional – salaries for teachers are set from the salary scale for the appropriate year. A schedule of the teaching staff should be prepared with this information. In addition, expenses for substitute teachers should be approximated. Any adjustment to the accrual for the payment of unused sick days should also be estimated.

Other Instructional Expenditures and Library/Media – these expenses should be based on most recent activities and use a general inflation factor percent increase.

Operations and Maintenance – this should be a reflection of the school employee salaries for the maintenance and cleaning of the school. Utility expenses should be based on previous usage with an inflation factor (Standard Budget Assumptions - See Attachment B). PSIP expenses should be based on the rates provided on the Standard Assumption schedule.

Fringe Benefits – this category reflects the benefits of the staff of the school. Please use the most current information together with the rate increase shown under the standard budget assumption schedule (Attachment B).

Fundraising/Development – The costs of the fundraising activities should be planned for based on the most recent trends with a general inflation increase factor (Attachment B).

Other Operating Expenditures – these are the costs of activities and athletic program expenses and should be based on recent trends with a general inflation increase factor. The costs of the food service program will be part of student services and those costs should use the general inflation increase factor (Attachment B).