

Budgeting Process for the Fiscal Year 2021

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May 2020

Budgeting

I. 2021 BUDGET PROCESS INTRODUCTION

Every year we participate in the very important exercise of preparing a budget for the coming year. Preparing a proper budget allows us to anticipate potential operating issues in the coming year and formulate an appropriate plan to address those issues in a timely manner. It also allows us to plan for any capital work by determining the anticipated level of available resources or the need for any outside source of funding.

There is no doubt that the development of a realistic budget, in light of all of the unknowns created by the Coronavirus Pandemic, will be a particular challenge this year. However, that makes it even more important for us to quantify, to the best of our abilities, the challenges that we will face in the coming year.

As in years past, reliable and accurate historical information is essential to prepare a plan to address both the short-term, and long-term, goals of the parish. Realistic budgets built on a proper foundation result in a pro-active, as opposed to re-active, approach to parish and school operations. Certainly, the financial impact of the Coronavirus in last six months of fiscal year 2020 will skew any historical comparisons, and its impact on the financial future of our parishes and schools cannot be disregarded. The truth is, we do not know the extent of the impact this pandemic will have on operations nor how long it will last, when and if a true recovery will occur.

Given where we all are at this moment, it is more important than ever to prepare a budget that is both conservative and realistic, regardless of whether that results in an operating deficit or surplus. It is critical now, more than ever, to prepare a realistic fiscal picture of the entire diocese. The Parish Support Manager for your deanery is available to assist you in developing a plan, budget assumptions and business strategies for the coming year.

II. PLANNING STEPS IN BUDGET ANALYSIS, DEVELOPMENT and CALENDAR

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. Reliable, up-to-date, financial information will assist you in making informed decisions and arriving at realistic budgets.

Now more than ever, you should truly evaluate which parish programs are effective, those that you wish to continue and those programs that are perhaps less than successful and should be revised or discontinued.

Always involve the appropriate people in this budget planning process. Department Heads and Ministry Leaders, with a vested interest in the parish programs, often have very creative ideas

on how to maintain programs while reducing costs and/or altering the method of providing the ministry or service. This collaboration often leads to a level of personal ownership that improves buy-in and accountability.

If a parish/school is unable to arrive at an operational balanced budget, they need to consider how they will address this deficit. Does the parish/school have sufficient reserves to sustain the deficit for the year without creating significant future financial risk to the parish/school? Are there areas where expenses can be reduced, or programs eliminated, to address the deficit? Are there support or fundraising opportunities that should be investigated and implemented? These adjustments can be permanent or temporary for this current year. The pandemic makes fiscal year ending August 31, 2021 very difficult to budget, however, budgeted operating deficits should not be disregarded completely, and the parish/school should give some thought on how they plan to address these deficits. The Parish Support Manager for your deanery is always available to discuss methods and strategies for addressing any operating deficits. Please reach out to them.

The following information has been provided historically and is provided here as a road map to budget preparation process

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 or an acceptable operating deficit for the year.
- ✓ Budget agreed upon by the Pastor/Principal/Administrator
- ✓ **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."**
- ✓ **The Parish Support Manager for your deanery 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).
- ✓ **A copy of the full, signed budget is to 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. Every parish has been significantly impacted by the Coronavirus Pandemic. One should not expect an immediate return to pre-pandemic collections. Careful consideration should be given to just how long a full recovery may take based on your own experience and community response.

Fundraising

Fundraising revenue should be budgeted at your best estimate for actual fundraising initiatives that are planned and will be implemented. Revenues should be budgeted at gross. Associated expenses are to be budgeted in the Fundraising Expense section of the chart of accounts.

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. Program expenses to consider when evaluating any program should include an allocation of staff wages and benefits as well as utilities and facilities maintenance. It may also be a useful to know what your neighboring parishes are charging for similar programs. It is also a good practice to make regular modest adjustments to fees rather than larger ones at irregular intervals.

When parishes are faced with ongoing operational deficit budgets, sharing or combining programs with a neighboring parish may provide some relief. 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.

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. 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 2020/21 (based on fiscal year 2019/2020 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 have been 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 break even. For regional schools, the 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. Revenues should be budgeted at gross. Associated expenses are to be budgeted in the Fundraising Expense section of the chart of accounts.

Other Operating Revenue

Other Income – Mandated services are based upon completion of reports of activity levels. 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.

Expenses

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).

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