

Contingency Options for the Budget Deficit

For May 3, 2009 Congregational Meeting

Your First UU Finance Committee and Executive Director have researched and developed this document in order to help the congregation understand the gravity of our financial situation. Likewise, they intend it to help you make well informed decisions should our deficit persist despite the generosity and hard work of so many people through our Spring Fundraising Campaign.

What deficit?

In March, your Stewardship Committee launched a Spring Fundraising Campaign in response to a growing budget deficit. When they began, projected expenses exceeded projected income by more than \$100,000. While we have had small deficits during the two previous years, this level of deficit is not sustainable.

Are these the only options?

The congregation can suggest any course of action, whether or not it appears on this list. This list and the supporting research simply provide analyses of several possible options. They represent what we expect will be some likely proposals -- independent of their relative merit or wisdom. In reality, there are only three ways to eliminate the deficit: 1) raise revenue, 2) borrow or spend money from our long-term assets, 3) cut programs/staff/expenses. All options are variations on these themes.

What is being asked of me?

As of the mailing of this document (April 13), it remains too early to predict the full impact of the Spring Fundraising Campaign. Significant funds have been raised yet additional funds are required. If the deficit remains significant at the time of the Congregational Meeting (May 3), our representatives on the incoming board will need to make some tough decisions in the near term to cope with this financial reality. The board has a responsibility to ensure that the church remains financially healthy, and therefore seeks congregational feedback regarding the various options before us. Members like you will have the responsibility and opportunity to discuss the steps we might take as a congregation should our fundraising fall short of our goals. It is important that you attend the upcoming meeting to contribute to this discussion and to fully understand the options before us.

How can I help?

The church is financed through the generosity of its members and friends. Everyone should make a gift that is generous within her or his means. So the first thing you can do is to give as generously as you are able. We realize that a number of our members are struggling financially in the current economy, so if you are able to give more, it will help those who cannot.

Please be sure to attend the May 3rd congregational meeting. Voting members have the ultimate authority in our church. Our board representatives are facing some difficult decisions regarding the budget and need to hear from you. Before we make any difficult decision, its important that, at a minimum, each member participate by:

- being well informed of the situation

- knowing the pros and cons of the church's options
- sharing wisdom and ideas at the May 3rd meeting
- electing board representatives and voting on church matters
- and continuing to give generously of your time, treasure, and talent in order to make the best of this challenging time

The Risks that Budget Cuts pose

It is important to understand that our budgets have rarely, if ever, had any fat to trim. On the contrary, FUUCA is *significantly* underfunded and understaffed for a church of our size. Although our income may appear large in actual dollars, those dollars are spread thin to cover required expenses resulting from an aging facility, a small professional staff, and more than 600 active adults and children. Our successes, vibrancy, and other strengths have depended on the hard-work and sacrifices of dedicated volunteers and staff. Many of you and your friends make significant gifts of their time and talent, frequently going beyond the call of duty, to keep our programs active and vibrant despite our funding challenges.

Budget cuts would have a direct impact on the variety and quality of our programs, activities, and services. The greater the cuts, the greater will be the possibility for congregational drift. As people feel less connected, less enriched, and less enthusiastic about the church's role in their life, their gifts of time, treasure, and talent will likely diminish. Thus, a reduction in expenses may precipitate a reduction in giving, triggering additional rounds of cuts. It is difficult to know where this "tipping point" might happen, yet we may find it difficult to emerge from a downward cycle of reductions. In this scenario, church membership could conceivably drop off quickly, further reducing income.

So, we must handle any budget cuts with the seriousness and gravity they deserve. We must understand that further budget cuts in our already understaffed and underfunded state will take a serious toll on our vibrancy, spirit, and health as a community.

What is the recommended option?

Church leadership unanimously recommends (and is actively promoting) Option 1: Increased Pledges. The other options all have unpleasant side effects that will impact our community's spiritual health, economic health, or both. Neither the researchers who put this document together nor your church leadership recommends, at this time, a particular course of action should Option 1 not fully close the deficit. Please thoughtfully consider the options and participate by attending the May 3rd Congregational Meeting.

Where can I get more information?

The following table gives a "snapshot" of several possible options to deal with the deficit. More detailed research and documentation behind the many options considered by the finance committee may be found online at: <http://austinuu.org/deficit2009>. Paper copies of the detailed research may also be picked up at the volunteer desk in the church office. We encourage all members to carefully consider the details of this research prior to the May 3rd meeting.

Snapshot: FUUCA Budget Contingency Options For May 3, 2009 Congregational Meeting

Raise Revenue Options

Option	Description	Economic Impact **	Likely side effects
1	Increased pledges	Small or no budget cuts	Recommended and in progress. Congregational stability; improved morale; reduced stress on staff and leadership.
A	Service Auction	Possible ~\$12k income	Increased strain on staff and volunteers; staff and volunteers dedicate fewer hours to other priorities
B	Sunday "Activities" Fees	Depends on extent of fees	Charging on Sunday for some or all programs; likely to lower congregational morale; lower pledge and plate income; reduced attendance and/or membership

Borrow/Spend Savings Options

Option	Description	Economic Impact **	Likely side effects
C	Finance Deficit from Savings or Restricted Funds	~\$98k available now ~\$300k available Dec	This is the last of the church's "savings", existing in the Long Range Fund and Memorial Savings Fund.
D	Finance Deficit with a Loan or Line of Credit	Depends on loan size	Debt plus interest payments will burden future budgets

Cut Expenses/Cut Programs Options

Option	Description	Economic Impact **	Likely side effects
E	Across the board budget cuts	10% = \$69k/yr 20% = \$138k/yr 30% = \$207k/yr	Salary or hours cuts on already thin staff; fewer activities and programs; lower morale; lose staff; lower staff productivity; lose members; may produce downward cycle of cuts, lower income, more cuts
F	Close church for X weeks	\$11k/week savings	Potentially lose staff; lose members; miss visitors; lower morale; lower income
G	Office open 4 days/week	\$3k/month savings	Lower morale; potentially lose staff; lower income; lower productivity and increased backlog; fewer services and support provided to programs and members

Option	Description	Economic Impact **	Likely side effects
H	Reduce/Eliminate split the plate	~\$800 per collection ~\$11k June – Dec	Possible reduced overall plate collections; lower congregational pride and morale
I	Just 1 Sunday Service	Negligible	Lower net attendance; increased stress on Religious Ed; lower income
J	Delay Hiring Interim Minister	\$8,333/mo savings; delay to Jan 2010 yields ~\$33k (4 mos).	Reduced income; reduced membership; lower morale; reduced new members; largest pool of experienced interim candidates occurs during Sept.

*** Please Note: “Economic impact” does not include the costs of likely side effects (for example, turning off all utilities would save \$1,600 per month, but doesn’t take into account the drop in attendance and income that would result, especially in August).*

Note: All members are encouraged to review the detailed financial research and documentation behind the many options presented by the finance committee. Their research may be found online at: <http://austinuu.org/deficit2009>. Paper copies of this detailed research may also be picked up at the volunteer desk in church office during the week and on Sunday. These pages of additional research were not printed with this mailing in order to save cost.

Credits:

Barbara Tuttle, Jim Tracy, Brian Miller, and Stephan Windsor did the lion’s share of the research and analysis. Lara Douglass, Cyndi Stein, Jim Scott, Natalie Freeburg, and Linda Taylor provided key input in terms of data and anticipating side effects. Sean Hale compiled the group’s work. Sean Hale and Phil Hastings produced this four-page summary document.