ARCHDIOCESE OF SEATTLE

GUIDELINES FOR CREATING PARISH BUDGETS

Archdiocese of Seattle
Parish Financial Services
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I. Introduction

Canon law provides specific guidelines for financial management and budgeting within the church. Every parish must have a finance council to assist the pastor in managing the parish's financial matters. This council ensures that the pastor does not handle financial responsibilities alone (Canon 537).

The parish and school should have both operating budget and capital budget. The guidelines in this document pertain to operating budgets.

II. Budget Considerations

A. The budget must be linked to the church's mission and vision. Explain how the budget supports the church's goals and ministries.

B. Staff should know about the church's goals for the year ahead. This will help them understand how to prioritize spending in the areas they are responsible for.

C. Have specific goals that are measurable. For example, the church wants to expand its outreach program to reach a certain number of people. Specific costs to achieve this must be identified and budgeted for.

D. Choose the budgeting approach. There are several budget formulation methods.

1. Top-Down Budgeting – resources are allocated at a high level and budget details are determined to fit the allocated funds. Since the budget is created by senior management and "pushed" down to individual departments, it may not accurately reflect the needs of these departments. This can lead to lack of buy-in from employees who are responsible for implementing the budget, thus lowering motivation and commitment to achieving budget targets.

2. Bottom-up or Zero-Based Budgeting – start at zero and justify each cost. This is the most time consuming of the budgeting methods.

3. Incremental Budgeting – this is a simple method where a percentage is used to increase or decrease each budget line based on factors such as trends and the budget letter issued by the Archdiocese of Seattle (AOS). This is the method used by most of the parishes.

E. Operating Budget vs Capital Budget

1. Operating budget focus on short-term operational needs to enable finance managers to manage day-to-day financial activities. It typically covers one fiscal year and includes revenues and expenses related to daily operations. Its focus it to ensure that the parish can cover its immediate operational costs and maintain smooth daily functions.

2. Capital budget plans for long-term investments and major expenditures. It often spans multiple years. It includes costs for acquiring or upgrading long-term assets (e.g., infrastructure projects, technology upgrades). The focus aims to enhance the organization's future capabilities and growth.

III. Budget Development Process

The “Guide for Parish Finance Councils” found on the PFS section of the AOS website contains details on the budget development process. The document can be accessed through this link: [Parish Financial Services: Educational - Archdiocese of Seattle (archseattle.org)](). In addition, the following considerations are essential in the budget development process.

A. Form a budget committee. While the Finance Council (FC) is responsible for the budget, input must come from parish ministry/program staff. It is logical that the staff of the finance department lead the budget committee since they have full access to financial data.

B. Gather input from department/ministry leaders. This ensures that budget supports the department’s goals which should align with the church’s goals.

C. Set financial goals and priorities. The church has limited financial resources to fund all of its desired programs and daily operational needs. Setting priorities will facilitate decision-making involving which programs and activities to fund as financial resources become available.

D. Budget monitoring. Budgets must be reviewed regularly, either monthly or quarterly depending on need. Budget review must be part of the Finance Council’s meeting agenda.

II. Income

A. Ordinary Income – includes stewardship giving, unrestricted donations to parish, and collections for operations and maintenance expenses. Budget estimate may be based on trends, stewardship pledges, and personal knowledge on giving habits. Consider timing of collections where holy day collections (e.g., Easter, Christmas) are significantly higher than regular collections.

B. Educational receipts

1. Parish – from religious education and sacramental preparation fees. This should be tied to planned R.E. programs and projected sacraments to be administered.

2. School – include tuition receipts and discounts, scholarships, parish support, and educational fees (e.g., registration fees, book fees, transportation fees). These are mostly based on school enrollment numbers.

C. Fundraisers – since it is Archdiocesan policy that freewill offerings of the faithful must be the main source of parish revenue, any fundraising should support specific, discrete, occasional needs (e.g., youth Mission trip). Parish fundraising income adjusted for fundraising expenses is subject to assessment.

D. Gifts – except for grants where the parish or school have reasonable expectation of receiving the grant, gifts should not be budgeted for. However, the parish and school should have a list of priorities of programs/activities to be funded when additional funds (e.g., from unrestricted bequests) become available (see III.C above).

E. Business revenue – while there are many revenue resources that may require some guesswork to budget, there some revenues that can be reasonably estimated.

1. Interest on PRF savings – this can be estimated by getting the net cash provided by operations, determining how much to set aside as PRF savings, and applying the current PRF interest savings rate to the projected PRF savings balance at the ed of the period. Net cash will of course be driven by the income and expense projections. A monthly budget will give a better estimate the of the cash requirements and excess cash available to set aside as PRF savings or cash to be withdrawn from the PRF savings, if needed (such as in case of net loss).

2. Endowment fund or educational fund income – this will be driven by the cash needs of the parish or school, similar toe E.1 above.

3. Lease income – must be based on lease agreements.

4. Rental income – sources of information are rental agreements, reservations for use of facilities, and trends (e.g., those who have been regularly renting the church facilities).

F. Program Revenues – set priorities and budget accordingly.

G. Other Revenues – refer to Parish Accounting Manual for a list under this category. Other revenues include special activity fees (retreat and workshop fees), pastoral services, OCS fees, Deanery and Regional contribution/assessment income).

III. Expenses

Look at trends, contracts and agreements, budget letter from the Archdiocese, and personal knowledge on spending habits.

A. Salary and benefit expenses – if you are projecting that the number and position of personnel will remain the same, you can use prior year data to estimate salary and benefit expense and apply an estimated percentage increase in wages and benefits expense. Also consider any additional staff that you are planning to hire. If you are filling in a vacancy for the same position, budget from when you expect the vacancy to be filled.

B. Supplies – may use a percentage increase over previous year’s expense. Also factor in any increases due to new programs or activities.

C. Program expenses – may use trend from previous year, but it is more important to base it on the programs that the parish and school intend to implement. Some programs may be discontinued and new programs expected to be implemented. Program expenses must be tied to the program revenues (see II.F above).

D. Operations and Maintenance – may be based on trends and existing maintenance contracts. May also budget for unplanned repairs (contingencies). Also evaluate whether additional maintenance is needed. The maintenance staff may be in the best position to provide information on the state of the facilities and equipment and identify repairs and maintenance costs that are over the routine maintenance.

E. Contracted services – review all existing contracts, insurance billings, AOS budget letter, trends on pastoral services. As this category implies, there must be existing contracts to back up the projected expense.

F. Business expenses – may be based on trends. However, some business expenses may be reasonably projected.

1. PRF Interest expense – refer to loan amortization schedule
2. Taxes – property tax notice, other taxes paid by parish
3. Lease expenses – based on lease contracts
4. Parish stewardship donations – this is a conscious decision that the parish makes
5. Fundraising expense – must be tied to fundraising revenue (see II.C above). Fundraising expense reduces assessable fundraising revenue.
6. Depreciation – based on depreciation schedule
7. Bad debt – based on review of uncollected amounts due (usually tuition) and a determination of the amount that have a high probability of not being collected

G. Utilities – may be based on trends and providing a percentage increase for inflation or from information provided by the utility company.

H. Travel – may be based on trends. However, it is important to tie this to program activities which will require travel.

I. Appreciation/Thank you – may be based on trends from previous years, consider any planned social activities and scholarships to be given.

J. Assessments/contributions – refer to budget letter from the Archdiocese for assessments and coordinate with OCS for any fees they will assess.

IV. Parish Budget Timeline

Ongoing: Parish Council develops, evaluates, and recommends priorities to Pastor.

December: The Finance Council (F.C)., based on parish priorities and current operations, determines essential costs and develops guidelines and timelines for budget development.

January: The F.C. conducts a detailed ½ year review of the budget & develops a current year projection of operations.

The F.C. requests "proposed" budgets for upcoming year from the School Commission, parish staff and parish committees. The Parish Subsidy to the school should be communicated with this request since the school will need to publish Tuition Rates in late January or February.

The School Commission working with the principal is usually responsible for developing the salary scale for the teachers and staff. The Pastor approves the salary scale. He may choose to consult with the Finance Council in this decision. The F.C. working with the Pastor is responsible for developing a salary scale for the parish staff. The Pastor approves this salary scale.

February: The budget letter from the Archdiocese arrives.

The F.C. develops revenue projections for the coming year.

March The F.C. reviews proposed expense budgets and:

- Compares them to revenue projections.
- Compares them to parish goals and priorities set by the Parish Council.
- Compares them to the parish financial plan. Regardless of the Parish/School structure, the FC should review the School Budget on some level since the parish is ultimately responsible for school finances.

April: The PAA develops alternative balanced budgets that reflect parish goals and priorities that are in line with the parish financial plan and that are acceptable to the Pastor. (To assure the alternatives are workable, the PAA will usually have to meet with the budget requester.) The Pastor should see at least two and not more than four options. The F.C. should recommend a budget.

May: The PAA or F.C. chair presents the budget to the Pastoral Council who reviews and recommends approval to the pastor.

June: Pastor approves budget. Staff, committees and boards are notified.

July: Archdiocesan Annual Report is prepared and approved by the Pastor.

September: F.C., School Commission and staff review actual school enrollment and tuition level vs. Budget. If necessary, take corrective action.

The F.C. develops a financial report of the previous year. After approval by the Pastor, the report is presented to the parish.