

Lutheran Church of the Reformation
October 2021 Special Council Meeting-Budget
Meeting Agenda and Notes

Present: Molly Higgins, Elizabeth Hann, Pastor Mike Wilker, Emily Andre, Andy Weaver, Karen Carlson, Laura Swanson, Suzanne Hazard, Chari Voss, Jarrod Jabre, Ivy Finkenstadt, Lei Lei Middlebrook, Judith Mangubat, Roger Moffatt, Morgan Hann, Matt Aviles, Evan Benoit, Lyndon Smith

Agenda:

October 26, 2021

7:03 PM Call to Order – Molly

- Devotions, Prayer Pastor Mike

7:08 PM Check in with Council - Molly

- Update from the transition team

7:10 PM Budget Presentation – Matt Aviles and Morgan Hann (please refer to the 2022 Budget Summary Proposal for additional information).

- Shifts in endowments earnings-
 - o The 2022 Budget has significantly less funding available from the Anniversary Fund and the McNeill Fund than the 2021 Budget (\$11,395 in 2022 vs. \$49,000 in 2021). Lyon, Reformation and Taylor funds do have \$49,000 of carryover funds that can be used in 2022.
 - o The Finance committee is proposing to increase the draw on our Small Special Funds from \$5,900 (~1.5%) to \$18,495 (4%) to bring it closer in line with the draw rate on our other endowment funds.
- Space Use Gifts are forecasted to come out to about \$124,000 in 2021, we will budget for this to increase to \$132,500 in 2022.
- The current deficit for the 2022 budget is about \$10,000. Excluding Major Improvements (\$150K FEMA grant and \$50K Parish Hall improvements) Reformation is Budgeting a 7% increase in expenses in 2022. We want to challenge the congregation to stretch the envelope giving to make up the deficit.
- Ivy asked if there is an expectation of a decrease in envelope giving due to pastoral transition. Pastor Mike remarked that that is not necessarily the rule and that some people may even step up to give more.
- Total Budget (expected expenses) is around \$1.1 million dollars.
- Credit line balance is currently at around \$340,000 @ 2.75% interest (~\$10k annually)
- Budget expenses:
 - o Worship music and the arts is similar to 2021. Livestream Budget is increased. Increase for substitute organists so that Paul can take a sabbatical. This will mostly be covered by the choral arts fund.

- This year's Budget includes maintaining the credit line interest payments. The Budget does not propose paying down the principal, but there is intention to be more focused on that in 2023.
- Increase in major improvements includes:
 - Kitchen upgrades (cabinetry, refrigerators etc). It has been determined that the entire kitchen does not need to be updated at this time which would have cost \$200,000.
 - Flooring throughout the Parish Hall is proposed to be updated.
 - In 2022, we will work with local organizations to make a plan for replacing the HVAC system. The full list of replacements would cost \$600,000. They do not have to be done at once. There are potential sources of funding (i.e. grants) to help offset those costs.
 - The elevator will also need to be completely replaced at some point in the near future. Parts are currently difficult to come by and may not be available in the future. This would run ~\$200,000.
- Funding sources for pastoral and staff compensation are shifting from the Anniversary and McNeill campaigns and to the General and Taylor/Lyon funds. There is a proposed 5.4% cost of living increase for each staff member and an additional 1% increase for each year of service for each staff member that has been with Reformation for the full year in 2021 (6.4% total increase).
- New line item is the \$10,000 call process funds. This could include moving expenses, bringing in candidates for interviews etc. It could also include the use of a consultant or a coach to help us through this transition time. The council suggests raising this amount to \$20,000 to be able to put our best foot forward. This increase would come from general memorials and the Lyon fund and would not change the proposed deficit.
- General staffing funds (i.e. from the associate pastor line item) can be used to pay for additional substitute preachers (currently we have 6 budgeted).
- Summary and Budget documents will be sent out to the congregation by November 7th in preparation for the Annual Meeting on November 21st.
- Karen made a motion to recommend the proposed Budget to the congregation with the discussed updates. Elizabeth seconded. The motion was approved by all.

9:10 PM Closing Prayer – Pastor Mike

9:12 PM Adjourn

SUMMARY OF THE 2022 BUDGET PROPOSAL

	2022 Budget	2021 Budget	Increase/ (Decrease)
<i>Sources of Funds</i>			
General (envelope giving, loose plate, space use)	550,500	533,000	17,500
Special Funds (restricted gifts, endowments)	449,246	279,093	170,153
Total Funds Applied To Uses of Funds	999,746	812,093	187,653
<i>Uses of Funds</i>			
Worship, Music, and Arts	50,425	47,730	2,695
Spiritual Growth	22,610	22,610	-
Fellowship and Caring Ministries	4,800	4,800	-
Engagement and Communication	9,050	7,700	1,350
Service and Justice	139,777	126,935	12,842
Stewardship, Property, and Finance	434,420	219,181	215,239
Staffing	453,491	432,903	20,588
Total Uses of Funds	1,114,573	861,859	252,714
<i>Surplus/Deficit Before Undes. Bequest Transfer</i>			
	(114,827)	(49,766)	(65,061)
Allocation from Undesignated Bequests	55,000	49,766	5,234
Advance from Credit Line	50,000	-	50,000
<i>Net Surplus/(Deficit)</i>	(9,827)	0	(9,827)

Total Sources of Funds: \$999,746

- General: Combined envelope and loose plate giving is budgeted to increase from \$408,000 to \$414,000 (an increase of 1.5%). Space use is projected to increase by 10% to \$132,500.
- Special: Net increase of about \$170,000 compared to the 2021 budget.
 - The FEMA grant (\$150,000) accounts for most of the increase in special funds.
 - As expected, Anniversary funds and the McNeill Outreach Fund are contributing far less to the 2022 budget than in recent years (a decrease of about \$42,000).
 - The endowment funds have about \$49,000 of unused withdrawals from previous years. The budget proposes to use these carryover funds in addition to the annual withdrawals from investment earnings.
 - The Finance Committee proposes to increase the withdrawal rate from permanently restricted gifts to 4%, contributing about \$18,500 to the budget. These funds contributed \$5,900 to the 2021 budget.

Total Uses of Funds: \$1,114,573

- Worship, Music, and Arts: Net increase of about \$3,000 over the 2021 budget, primarily attributable to additional guest organists during Paul Leavitt's anticipated sabbatical.
- Spiritual Growth: No change from 2021.
- Fellowship and Caring: No change from 2021.
- Engagement and Communication: \$1,350 increase, primarily related to updating the church directory.

SUMMARY OF THE 2022 BUDGET PROPOSAL

- Service and Justice: ELCA Mission Support is increased because it equals 8% of combined envelope and loose plate giving (which is budgeted to increase as described above). The Finance Committee requests input from the council and Service and Justice ministries for uses of the following restricted funds that will be available in 2022:
 - Mildred Leecke Taylor Fund for mission: \$9,400
 - Evjen Fund for Homeless Ministry: \$1,700
- Stewardship, Property, and Finance:
 - No change for Stewardship.
 - The FEMA grant is expected to fully fund \$150,000 of property safety improvements.
 - Major property improvements (\$50,000) related to the parish hall and other common areas are proposed to be financed by the credit line.
 - The current credit line balance is \$345,000 and interest payments at the current rate (2.75%) are about \$10,000 per year. The Finance Committee proposes to continue making regular interest payments in 2022. Payments on the credit line principal are not included in the 2022 budget but principal payments may be made out of Anniversary Campaign funds, which are still being donated. (Note that the Anniversary Campaign accounting is separate from the annual budget.)
 - A new line item is included in the budget for bookkeeping expenses (\$18,000).
- Staffing: The net increase in the staffing budget (about \$21,000) primarily relates to annual salary increases and anticipated expenses for the pastor call process (consulting services, moving costs, etc.). The Finance Committee proposes using \$5,000 of general memorial funds to support the call process. The budget is intended to support an associate pastor (interim and/or new call) for the full year.

Surplus/(Deficit) Before Undesignated Bequests and Credit Line: (\$114,827)

- Allocation from Undesignated Bequests: The Finance Committee proposes to use \$55,000 of undesignated bequests towards balancing the 2022 budget. The current balance is about \$156,000. For context, the church budgeted to use about \$50,000 of undesignated bequests in 2021 (although we may not need to use any, or may only need to use a much smaller amount, based on actual performance in 2021).
- Advance from Credit Line: As noted above, the Finance Committee proposes to borrow up to \$50,000 on the credit line to pay for major property improvements.

Net Surplus/(Deficit): (\$9,827)

The Finance Committee believes that this modest bottom-line deficit is manageable and could support communications with the congregation to “stretch” to meet the priorities set forth in the 2022 budget.