

UNILU FINANCIAL DISCUSSION

1. NOTES ABOUT FISCAL YEAR 2013-2014

The church ended the fiscal year on September 30, 2014 with a balanced budget. The congregational offerings matched the levels approved at the last congregational meeting. The earned income for space use was slightly (\$2,000) below projections, and the level of support from the synod was slightly below projections due to mid-year adjustments to campus ministry funding.

Expenses were broadly as expected. Two items, capital improvements and utilities, include longer-term expenses which were not actually paid this fiscal year. So in one sense, there was actually a \$6,000 surplus, but the report allocates money to these longer-term expenses leading to a balanced fiscal year. The following items are worthy of comment:

- Due to an error, the choir director received his October pay early so it shows up in last fiscal year.
- Local benevolence was higher than expected due to expenses relating to the shelter (offset by designated giving).
- Pastoral compensation is higher than expected due to Pastor Gwen being covered by Pastor Greg's health insurance starting in July. Health insurance for Pastor Greg's family has always been part of his compensation, but Pastor Gwen was covered by her previous call until July.
- Intern Salary and Housing are lower because no intern was available starting in August. Pastor Gwen is working as a part time minister for now.¹
- Property taxes are higher due to the Amigos being registered as a non-profit. We are in discussion with them, and it is likely they will cover the increase.
- Utilities is higher than expected because the city has been calculating the trash bill incorrectly. They wanted three years of back-fees, but have forgiven part of it. \$1,500 is set aside to pay this.
- Office expenses are higher than expected because of a computer purchase.
- Insurance decreased because the church switched to a new provider (which is better as it offers coverage specifically for churches).
- There were no capital improvements carried out in the last year, but \$4,500 is being saved for future projects as these expenses are not uniformly distributed.

Date: October 19, 2014.

¹She was not paid for her time in September before this report, but this line is increased by \$1,000 to estimate this expense.

- The actual payments on debts is the correct amount, but the projection was calculated incorrectly.

2. A MENU OF BUDGET OPTIONS FOR 2014-2015

The minimal spending plan is balanced, while the ideal spending plan is aspirational. Here are the main choices the congregation has.

2.1. What Cannot Be Changed. Some lines in the budget change from last year but are not due to us. These include

- Pastoral salary and benefits, which increased for two reasons. The pay rate is based on recommendations from the wider church, and the health insurance costs increased because of changes in the base rate and changes in Gwen's status.
- Increased compensation for substitute clergy, because the rates were below recommended rates and unfair.
- Campus ministry funding is set by the synod. At the assembly last weekend, funding was restored to the level of the previous year.
- Earned income is increasing due to the Amigos using additional space and proposed increases to all space use fees to more accurately reflect the cost of trash.

2.2. Staff Compensation. The suggested budget includes a raise in the pay rates for our Sunday School coordinator, choir director, music coordinator, and ministry secretary.² The two suggested options are 2% or 3%. For comparison, the rate of inflation in the US is about 1.7%.

- Staff Compensation with no increase: \$25,808
- Staff Compensation with 2% increase: \$26,322
- Staff Compensation with 3% increase: \$26,582

2.3. Pastoral Staffing. There are two main ways of providing pastoral assistance for Pastor Greg. These are a part time minister, like Pastor Gwen, or a full time intern, like Vicar Maggie. There are multiple complicating factors.

There was not an intern available to start in August, so Pastor Gwen has been hired through December to provide help. There is the potential to have an intern for six months starting in January. There is then the potential to hire a new intern starting over the summer, or hire a part time minister starting over the summer. There is also the potential to only have an intern one year out of two, but this is unstable.

The cost of a part time minister varies based on experience. \$1,500 per month is reasonable.

²Compensation for Pastor Greg follows guidelines and requirements from the ELCA, and so is not under consideration.

The cost of an intern is more complicated. There are \$1,500 in fixed expenses, \$3,500 per year in health insurance, a stipend of \$1,100 per month, plus the cost of housing. Assuming the housing is around \$1,500 per month, having an intern would cost around \$36,200 for a full year.³ An intern for six months would cost \$18,850. There is the potential to get below-market rate housing and decrease the cost, but we cannot count on this.

- Full year of a part time minister: about \$18,000
- Pastor Gwen through December, an intern for six months, then nothing: \$23,350
- Pastor Gwen, an intern for six months, then a part time minister : \$27,850
- Pastor Gwen, an intern for six months, then another intern : \$31,800
- Full year intern : \$36,200 (not available this year)

2.4. Property. There are various medium-sized projects under consideration: signage, a projector, sealing the floors, and additional chairs for the fireside room. The cost is estimated to be around \$10,000. Spending \$4,000 this year with \$6,000 saved from the previous two years when there was little spent, would cover whichever of these get completed this year.

There are also large projects somewhere in the future - the roof, the steeple, and the organ pit. The council thinks these would require a capital campaign separate from the normal budget.

- \$4,000 for Capital Improvements, with \$6,000 saved from previous years, which is the estimated cost of all the medium-sized projects.
- A lesser amount now, with some of the projects potentially delayed.

2.5. Hospitality. Hospitality is one of the priorities of the council. Hospitality, special events, and pastoral hospitality accounted for \$1,721 in the last budget. The council proposed an increase to \$2,200 and changing the categories to hospitality, community life, and pastoral hospitality.

- A minimal level, reflecting the costs of the previous year and the hope for additional spending to promote community life: \$1,600
- Keep the same level of funding: \$1,721
- The council's vision : \$2,200

2.6. Pastor's Discretionary Fund and Local Benevolence. To support the church hosting the Heart and Home women's shelter, the council proposed increases in the pastor's discretionary fund⁴ and local benevolence.

- Currently: \$500 for the discretionary fund and \$1,000 for local benevolence.
- A minimal increase : \$1,250 and \$1,000

³Vicar Maggie's housing expenses were split with Grace Lutheran Church. We cannot count on this in the future.

⁴This might pay for a hotel room for a night if a family was temporarily homeless, for example.

- The council's vision : \$1,500 and \$1,800

2.7. **Evangelism and Outreach.** For one-time spending related to evangelism and outreach, the council proposed adding \$500 dollars to this budget line for the coming year only. Last year, \$152 of the \$500 dollars in the budget were used.

- Currently: \$500
- A minimal increase: \$750
- The council's vision: \$1,000

2.8. **Reductions in Under-Used Budget Lines.** In the previous year, the actual spending on the following was substantially less than the budgeted amount. The minimal spending plan reduces these amounts to reflect this. This helps balance the budget, but may cause problems if the previous year's spending was abnormally low.

- Children's educational materials: \$700 to \$500
- Worship supplies: \$800 to \$500
- Clergy travel: \$4,000 to \$3,500

2.9. **Congregational Giving.** The treasurer guesses around \$115,000 in congregational giving is reasonable without any special efforts due to the increasing size of the congregation.