

**Narrative to Accompany  
2020 Budget  
First Read September 14, 2019**

**Overview of the 2020 Budget**

Every budget rises out of a context and reflects the values and goals of the institution for which the budget is prepared

The context for the Presbytery of Lake Michigan (PLM) 2020 Budget is the work done in developing a new Strategic Plan and the work in transitioning to a structure and budget that reflects the Strategic Plan for the Presbytery.

The Presbytery spent over 20 months developing a new Strategic Plan that involved 8 gathering groups in 2017; 4 Listening Groups in 2018; as well as updates and discussions at Presbytery meetings during at same period. This was followed by a workshop conducted at the September 2018 Presbytery Retreat/Meeting. A recurring theme heard by the Visioning Team was the need for more communication between the Presbytery and its various constituents.

The priorities that arose out of this process were:

1. PLM will work to **strengthen relationships** between
  - a. the Presbytery and its congregations
  - b. the Presbytery and its minister members
  - c. the Presbytery and Sessions
  - d. congregations
2. PLM will **resource and support congregations** for healthy and vital ministries.
3. PLM will develop and support **healthy and dynamic leaders** for congregations and validated ministries
4. PLM will **fulfill its other responsibilities** mandated in G-3.03 in the Book of Order,

On September 21, 2018 the Presbytery approved the new Presbytery Structure as recommended by the Leadership Team to facilitate implementation of the above priorities. The 2019 Budget as adopted reflected these ministry priorities while maintaining past patterns of spending during this part of the transitional period.

There are five additional contextual realities considered during the formation of the 2020 Budget:

First, as of July 31, 2019 the Presbytery had unrestricted assets of approximately 1.675 million dollars and restricted assets of approximately \$292,700. These monies represent the accumulation of year end surplus, monies received from the John Knox Presbyterian church at its dissolution, payments for land contracts on properties sold by the presbyter, as well as gifts and offerings for presbytery level ministry.

Second, membership in our Presbytery has declined in the last 20 years from 21,740 members reported in 1998 to 11,592 as reported in 2018. The loss of membership affects the need to increase the per capita amount each year because fewer persons are paying for services and ministries.

Third, the transition to a new structure is occurring more slowly than anticipated for a variety of reasons, among which are:

- a. Staff changes -The departure of an office manager coupled with the departure of the Technology and Communications Manager after a few months in the position required the investment of time and energy, as did the process of reconfiguring the staff following the departure.
- b. Greenwood- The decision to offer a Lease with Option to Purchase to the Greenwood Ministries Association for some of the Greenwood properties while other properties were to be put on the market for sale impacted time and energies to an unanticipated extent. Responses to questions and attention to details for implementation of those parcels approved for sale diverted energies of staff, Leadership Team, and the Trustees from full attention to anticipated transitional issues.
- c. The issues are more complex than anticipated. Our system is like the mobile in a child's playpen. Movement or change of position of one object involves movement or change of position for other objects.

Fourth, legitimate ministry needs and opportunities within the communities served by our congregations and worshipping communities far outstrip the Presbytery's ability to fund all those ministry opportunities. Some of the ministries previously supported by the Presbytery will need to find local or regional support rather than rely on Presbytery support. This reality has been discussed within Presbytery committees for at least three years. The Presbytery simply cannot sustain the same level of program support it has in the past; and we must take specific steps to address this reality within the next three years.

Fifth, we owe respect to our past ministry partners. This respect is to be shown by alerting them to the looming reality of future funding cuts. It also means beginning the process by recommending some cuts in the 2020 budget that should be absorbable to each entity given the size of their budget or availability other potential funding sources.

#### **Sources of Revenue for Budget 2020.**

The anticipated sources of revenue for the 2020 Budget include:

- Presbytery Per Capita
- Presbytery Shared Mission
- Investment and other income
- Grant Monies from Office of Mission Program Grants
- Unrestricted Assets held by Presbytery of Lake Michigan

The amounts for Synod and the General Assembly per capita and Shared Mission are "pass through" in the 2020 Budget. The projected revenue and projected expenses for these items are the same in the 2020 Budget.

The Per Capita for the Presbytery is predicated on an increase from \$20.00 per member in 2019 to \$23.00 in the 2020 Budget. Even with this increase the Per Capita amounts for the Presbytery of Lake Michigan remain lower than the average and the median for 9 of the geographically closest Presbyteries whose per capita amounts are posted on their website.

***The 2020 Budget as recommended and attached assumes a Presbytery Per Capita of \$23.00***

Investment and other income increases are influenced by monies received in 2019 from the sale of the John Knox land.

The amount of Grant monies is uncertain at this time, so a specific amount is not included in the 2020 Budget.

Unrestricted Assets are previously described in the first of the contextual realities described above.

**Perspectives on the Next Five Years:**

The Leadership Team and the Budget and Finance Committee share a commitment to using wisely and prudently the monies entrusted to the Presbytery. This involves investing the monies into ministry programs that will help fulfil the goals adopted by the Presbytery.

It also means that their intent is that the Presbytery will use unrestricted asset reserves to supplement annual income in order to accomplish its ministry goals for at least the next four years while aiming to retain adequate unrestricted reserves for the years of 2024 and following.

Comments Related to various areas of Budget

**Administration and Support**

The budget totals in this area remain consistent with the 2019 Budget.

**Budget and Finance**

The budget totals in this area remain consistent with the 2019 Budget.

**Congregational Support Team**

The 2020 Budget represents an increase of support for this area of ministry. The work of the Commission on Ministry is reflected in its portion of this Team's work. The cost for personnel screening has increased significantly reflecting the church's concern for safety of the persons to whom we minister. Mediation team's budget increases significantly due to training new mediators and the use of this service by the congregations. The budget for Vital Congregational Initiative increases reflecting response from leaders and congregations for this ministry process. This initiative reflects a primary way in which the Presbytery is fulfilling goals 1 and 2 of the adopted Strategic Plan. We hope to offset some of these expenses by applying for a grant from the PC(USA) Mission Agency.

**Dynamic Leaders Team**

The 2020 Budget represents a decrease in expenses for this area of ministry of \$33,880 driven largely by the fact that \$37,000 of costs for Triennium are not necessary in the 2020 Budget. The costs for the

Preparation for Ministry Commission increased by \$1,000, the costs for Scholarships for Continuing Education increased by \$ 2,700, and costs for Presbytery youth to participate in a retreat at Montreat were added in the amount of \$ 3,000.

### **Leadership Team**

The 2020 Budget expenses for Leadership Team represents a decrease of \$ 14,000 due to the elimination of the category “New Initiatives” which is being eliminated as a Leadership Team expense.

### **Mission and Outreach**

This budget increases by \$ 8,725 fueled largely by the inclusion of \$10,000 for Korean Campus ministry which was inadvertently left off the 2019 Budget as adopted.

Two Campus ministries received additional monies in 2020 namely, \$2,250 to UKirk campus ministry in East Lansing, and \$2,250 for Grand Rapids Area Campus Ministries. The Kalamazoo United Campus Ministries was reduced by \$2,000 for 2020. This represents a movement toward parity among campus ministries support. The intent is to present future budgets that will represent similar support for each of the three multi-site campus ministries. However, we note that while parity among the campus ministries is the goal, the level of Presbytery support for these ministries in the future is not guaranteed nor assumed.

There were two 2019 Budgeted line items that were eliminated from the 2020 Budget. Emerging Ministries was not funded. And Kalamazoo Ministry with Community was judged to be a local/regional ministry that did not demonstrate its coherence with the Presbytery goals.

Budget and Finance Committee, with the approval of Leadership Team, informs its covenant partners that each should expect that the level of funding beginning in 2021 will likely be less than that which has historically been provided.

### **Nomination and Representation**

This committee is critical to our functioning as a Presbytery. The increase in monies allocated reflects approval of the planned activities for 2020.

### **Judicial Code**

These monies are budgeted each year with the hope that this committee will not be pressed into use.

## **Personnel/ Staff Narrative**

The revised format for staff compensation and benefits shows the salaries and benefits but does not show the vouchered expenses for each individual position. Vouchered expenses are shown as an operational expense. The staff member does not personally benefit from expenses he/she incurs on behalf of the organization. Only approved expenses are reimbursed to any staff member.

During 2019 the staff underwent significant changes in responsibility following the departure of the Technology and Communications Manager. The full time Technology and Communications person was replaced with a Part-time Technology Manager. Communication responsibilities were shifted to the Office Manager, some of the Office Manager’s administrative responsibilities were shifted to the

Bookkeeper, and a part time hourly position is reflected in the 2020 Budget. But the position has not yet been filled.

In the 2019 Presbytery Budget the Treasurer's position was designated at 10 hours per week. It became apparent during 2019 that the Treasurer's responsibilities were significantly expanded during the transition. During 2019 this investment has been +/- 20 hours per week. The 2020 Budget is predicated at 15 hours per week, the best current estimate for the time investment needed to fulfill the duties of this position after the spike in transitional duties.

Staff responsibilities were shifted to reflect competencies and changes in availability.

Schedules were coordinated so that the office can be staffed from 9:00 AM to 2:00 PM from Monday through Thursday.

Budgeted compensation for 2020 reflects a 2% Cost of Living increase which was approved by Leadership Team and endorsed by Budget and Finance Committee for all 2019 positions. The Leadership Team also approved a 1% merit increase for the Stated Clerk/Transitional Co-leader and Transitional Co-Leader following performance reviews for these positions.

Bookkeeper/Administrative Assistant

Budgeted spreadsheet shows this position at 20 hours per week.

Office Manager/Communications

Budgeted for these duties total 32 hours per week.

Part-Time Technology Mgr.

Budgeted at 15 hours per week.

Transitional Co-Leader

Contract reflects part-time employment with no hospitalization insurance.

Stated Clerk/Transitional Co-Leader

Contract reflects full time employment with health and pension benefits

Treasurer

Budgeted for 15 hours per week in 2020.

Additional Administrative Assistance

Budgeted for 12 hours per week for 2020.

### **Operations Narrative**

Building Maintenance/Lease

Budget reflects anticipated lease costs increase and maintenance costs.

Building Utilities

Increase projected on basis of usage and utility rate increases.

Communications & Technology

Reduced to reflect changes in needed technology for 2020.

Computer Support

This figure is predicated on anticipated reduction of costs associated with newer equipment and because current staff can provide technical support at level that was not previously available.

Congregational Connection/Directory

Deleted – the Presbytery is moving toward an online directory to be updated quarterly. Those who wish printed copies will be able to do so for themselves.

Contract Service (payroll, recording clerk, other)

Increase to reflect known anticipated costs also reflects consolidation of line item previously known as Property and Finance Support.

Equipment Acquisition

Reflects on-going needs to upgrade equipment and/or purchase new equipment.

Equipment Repair and Maintenance

Budgeted amount appears adequate.

Fees and Service Charges

Budgeted since this is a repetitive though unanticipated expense.

Insurance -Comprehensive

Appears adequate for 2019

Insurance- Workers Comp

Projected increased expense for the additional administrative support and the base salary increases.

GA Mtg and Retreat

In the past this was listed as a Leadership Team Expense. It is now in Operational Expense since it involves GA participation and is not a function of the Leadership Team.

Governing Body Mtg Expense

Previously listed under Benefits for Executive Staff members. It is an operational expense in that it involves participation in Governing Body meetings when staff members are delegated or instructed to attend.

Legal Expenses

2019 Legal expenses occurred are reflected under Administration Support, Greenwood, and related to the closing of Albion.

Moderator/Vice Moderator Travel Expenses

Previously listed as Polity-officer training line item

Moderator Training Expenses

Previously listed as Moderator Conference under Leadership Team

Postage

Remains the same

Printing

Projected expense of \$911 in 2019. Increased for 2020 to reflect the costs as projected.

Property & Finance Support

This was listed separately for 2019 now part of Contracted services

Supplies

Increased to reflect inflation and usage

Telephone/ General

Projected expenses in 2019 would be \$6,730 on spend rate projection. However, the removal of hard phones and the movement to new system provides this projected expense.

Website and email contact expense

Projected 2019 expenses are \$2,204. 2020 Budget predicted on slight increase in costs.

Vouchered Expenses

The vouchered expenses that appear here are the aggregate those previously listed for Treasurer, Stated Clerk/Transitional Co-leader, Transitional Co-Leader, Technology/Communications Manager, and the line item listed under contracted services as Staff Vouchered Expenses. The increase is predicted on actual expenditures during last 3 years.

**In summary, the 2020 Budget is an investment in the Presbytery's collaboratively developed ministry priorities and movement into the approved new structure. It reflects the goals/priorities established by the Presbytery in 2018, salaries approved by Leadership Team, it comes to the Presbytery recommended by the Leadership team and endorsed by the Budget and Finance Committee.**