



Presbytery of Lake Michigan

Presbyterian Church [U.S.A.]

Narrative to Accompany First Read of the 2022 Proposed Budget

Presbytery of Lake Michigan 2022 Proposed Budget - First Read

The First Reading of the 2022 Proposed Budget is recommended by the Leadership Team and endorsed by the Budget & Finance Committee.

All comments regarding the First Read of the 2022 Proposed Budget should be directed to the Moderator of the Budget & Finance Committee and made in writing prior to October 27, 2021, at bnfmoderator@lakemichiganpresbytery.org. This will facilitate the recommendation of the Second Read of the 2022 Budget for approval at the December 7, 2021, Stated Meeting.

Narrative Overview of Proposed 2022 Budget

I. Mission, Vision, Values, and Goals

The 2022 Presbytery of Lake Michigan (PLM) Budget is designed to reflect the mission, vision, values, and goals of the institution.

The Presbytery of Lake Michigan (PLM) 2022 Budget reflects the Strategic Plan adopted by the Presbytery in 2018. The plan established the following goals:

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,

II. Ministry Context

Ministry has been, and is, taking place within our Presbytery through congregations, campus ministries, local and regional partnerships, and through the work of the Presbytery. The shape and delivery mechanisms for many of the component parts of our ministry changed during the pandemic. As we look forward to 2022, each ministry is assessing which changes should continue to be implemented, which alterations should be discarded, which activities that were suspended during the pandemic should be resumed, and which activities that were suspended can be terminated.

Nearly every assembly has invested more in technology over the past two years than we anticipated. In budgeting for 2022, we face the challenge of attempting to discern what ministry will look like in 2022 and what resources (human and financial) will be available to meet those needs. Some new initiatives were approved and will need additional or reallocated resources. The First Read of the Proposed Budget 2022 is our best attempt to consider all the factors that affect our ministry together.

III. Societal Context

This budget is being presented within the broader context of:

- Societal anxiety fed by uncertainty regarding the longer-term effects of COVID on human health and well-being. And we are uncertain regarding the changes that may become part of our daily lives as schools, businesses, retail establishments, restaurants, churches, and other parts of society move forward.
- American society possesses a heightened awareness of how racism, privilege, injustice, structural oppression, and apathy are interrelated. This heightened awareness of the pervasiveness of racism within North American society and the injustices fueled by it calls for a response contextualized to our local or regional ministry setting.
- A politicized atmosphere in our society contributes to a sense of diminished trust. The potential of working together to meet challenges has been and continues to be threatened by apathy or acrimony and ascription of bad motives to those with whom we disagree regarding social issues.

IV. Our Presbytery Context

- A. Many projects and plans were placed on hold because time, energy, and resources were spent in response to the challenges and opportunities accompanying the pandemic. We are now moving from the acute crisis response to an adaptive crisis response.
- B. A misunderstanding regarding the role of Campus Ministries and expectations regarding their support and funding from the Presbytery was addressed in 2021 and a statement of understandings was signed by the Campus Ministers of Kalamazoo United, True North Grand Rapids, and UKirk East Lansing, and the Moderator of the Leadership Team. The 2022 Proposed Budget is consistent with those understandings.
- C. The restructuring process initiated by the decisions of 2018 is moving into the next phase. The Presbytery approved the position descriptions for a full-time Executive Presbyter/ Stated Clerk and a part-time Associate Presbyter and the appointment of a Search Committee for these positions in December 2020. The Search Committee has been diligently working but is not ready to present a candidate and cannot guarantee a completion date.
- D. Presbytery Revenues through June 30, 2021
 1. Per Capita receipts were \$256,273
 - This represents 66.93% of the annual per capita expected.
 - Last year the percentage at this time was 61.49% received
 - As of June 30, 2021: 30 congregations paid their annual per capita in full
18 congregations paid 50-99% of their per capita
7 congregations paid between 23 and 49%
6 congregations had not paid anything in 2021

2. Shared Mission receipts were \$113,425
This represents 50.41% of the 2021 Shared Mission Budget.
3. Presbytery Operating expenses YTD through June 30, 2021, were \$358,791 compared with 2020 in the same period of \$366,833.

E. Limitations of Human Resources

1. Our Presbytery continues to shrink:
 - a) Membership report for 2000 was 21,690; the report for 2020 was 10,283.
 - b) Stated differently PLM's 2020 membership was 47.7% of what it was in 2000.
2. The reported rate of membership loss in 2019 was 5.29%; the rate of loss in 2020 was 5.57%.
3. The median age of most of our congregations is much older than it was 20 years ago.
4. In 2019 the congregations reported 252 deaths with 31 congregations reporting a total of 89 baptisms. In 2020 the congregations reported 252 deaths but only 14 of our congregations reported baptisms and the total for the year was 32 baptisms.
5. The human resources for ministry and service are dwindling in most of our congregations and certainly within our presbytery.
6. Congregations and the presbytery are vying for service from a smaller pool of persons.
7. The structure of the presbytery is shrinking. Even so, we often cannot fill the necessary positions in our structure with qualified and willing individuals. The Nominations & Representation Committee has repeatedly noted this problem in its communications with Leadership Team and the Presbytery at large.
8. Expenses for maintaining the organization do not contract at the same rate as the loss of members.
9. Budget & Finance and Leadership Team believe that our move to a more simplified structure will assist in addressing the issues mentioned above.

F. Effects of the Continuing Decline in Participation on Revenue

The decline in participation throughout the denomination affects governing bodies at each level.

1. Congregational attendance (and sometimes support) may come from non-members.
 - a. Ten-year decline in average attendance from near 50% of membership to 37% of membership was evident pre-pandemic.
 - b. In 2020 some congregations have reported that non-members participating virtually in worship or small groups are contributing to the ministry. It is too early to tell whether this trend will continue now that churches are beginning to worship in person. The effect of on-line/virtual worshippers on annual revenue is simply an unknown at this time.

2. Per Capita experiences are influenced by rate increases or a decrease in revenue:

	2011	2020
GA Budget	\$ 108,115	\$ 103,748
GA Rate	\$ 6.50	\$ 8.98
GA Actual Receipts	\$ 104,500	\$ 96,975
	2011	2020
Synod Budget	\$ 54,057	\$ 37,654
Synod Rate	\$ 3.25	\$ 3.25
Synod Actual Receipts	\$ 52,251	\$ 35,214
	2011	2020
Presbytery Budget	\$ 235,178	\$ 266,616
Presbytery Rate	\$ 14.50	\$ 23.00
Presbytery Receipts	\$ 233,115	\$ 244,409

3. Shared Mission financial experience can be summarized in this snapshot:

	2011	2020
GA Actual Receipts	\$ 161,005	\$ 80,217
Synod Actual Receipts	\$ 9,063	\$ 3,893
Presbytery Receipts	\$ 286,920	\$142,870

G. Legitimate ministry needs and opportunities within the communities served by our congregations and worshipping communities far outstrip the Presbytery’s ability to resource all those ministry opportunities. This reality has been discussed within Presbytery committees for at least the last five years. This reality was formally brought to the attention of the Presbytery in September and December of 2019 through the Narratives accompanying the 2020 Budget that warned of likely reduction in monies allocated to ministry partners in the future. The adopted 2021 Budget could not support all of the ministry needs that were submitted.

H. The challenges faced by our Presbytery are common to many presbyteries, synods, and the General Assembly. While accumulated resources may vary, all of them are facing the realities that current giving cannot sustain the breath and scope of historical ministries and/or development of new ministries as may have been true in the past.

V. Sources of Revenue for Budget 2022

The anticipated sources of revenue for the 2022 Budget include:

- Presbytery Per Capita
- Presbytery Shared Mission
- Other income
- Grant monies from Office of Mission Program Grants
- Financial reserves held by Presbytery of Lake Michigan

Note: The amounts for Synod and the General Assembly Per Capita and Shared Mission are “pass through” in the 2022 Budget. The expectation of the OGA is that each presbytery will pay the full OGA per capita for all of its congregations regardless of whether individual congregations pay their full per capita amount. The practice of the PLM has been to send in the amount that it

collects from the congregations. The projected revenue and projected expenses for these items are the same in the 2022 Budget.

Presbytery Per Capita

The 2022 Budget as recommended and attached assumes a Presbytery Per Capita of \$24.50.

This represents an increase of \$1.50.

The Per Capita for the Presbytery was \$23.00 for the 2020 Budget and the 2021 Budget. The Presbytery of Lake Michigan per capita remains lower than the average and the median for nine (9) of the geographically closest Presbyteries. Please note that it would require a Presbytery Per Capita of approximately \$36.34 if we did not use financial reserves or our “Other Income” to balance the budget.

Shared Mission

Shared Mission Budget recommended for 2022 reflects the trend of the last ten years and the specific receipt experience of the last 17 months.

Other Income

- Joy Foundation denotes monies received from an endowment administered by the Presbytery of Detroit.
 - Investment Income is monies projected to be derived from interest on our investments. The amount of Investment Income projected each year is based on a formula applied to the Presbytery’s unrestricted assets. The 2022 applicable factor is 4.5% on the Presbytery’s unrestricted assets. We are aware that some congregations use a 5% or greater factor; some on the Budget and Finance Committee would favor maintaining the 4.0% factor used last year. This figure represents a compromise that all could endorse.
 - Synod of the Covenant - Higher Education
 - The Synod returns part of the monies we send it in the form of support for Higher Education. For some years it was approximately \$8,500 annually. However, in 2020 it amounted to \$ 4,732; in 2021 we expect this amount to be approximately \$6,320. This is the amount we are recommending for the 2022 Budget.
 - Land Sales – Youth *
 - Land Sales – Congregation *
 - Land Sales - Unrestricted *
- * Other income also includes allocation of specified monies received from some of the Presbytery’s Greenwood Properties as delineated in the December 2018 decision of the Presbytery allocating certain proceeds to areas of ministry consistent with a formula adopted for that purpose.
- Transformation Grant
The Presbytery was awarded a Transformation Grant. The first installment (\$28,000) of the total \$50,000 grant was received in 2020. The balance was awarded and included in 2021 budget. There are no more monies expected from the Transformation Grant.

VI. Reserves to Balance

The PLM’s unrestricted reserves as of June 30, 2021, were \$1,807,332.

{NOTE: This does not include funds designated for John Knox Disaster Relief, Asset Investments (fixed assets) or the monies derived from land sales whose proceeds are designated for Outreach/Justice Ministries or Youth and Scholarship Ministries. }

The PLM’s restricted funds were \$229,159.

For the past three years, the Presbytery has approved monies from the Financial Reserves to balance the budget, if necessary. In 2019 the amount was \$226,057; in 2020 the amount was \$155,787; in neither of those years did we take monies from Financial Reserves. A combination of factors contributed to this, including actual expenses lower than projected, income from grants that were not budgeted, the PPP loan and forgiveness program, and the effect of the pandemic in limiting some programming.

In 2021, the amount budgeted from reserves was \$93,504; we wait to see if it is necessary to use this money in the current year.

Net Asset History

	PLM Net Assets as of 12/31
2015	\$ 1,077,408
2016	\$ 1,118,881
2017	\$ 1,144,643
2018	\$ 1,848,445
2019	\$ 2,213,997
2020	\$ 2,320,449
2021 as of 6/30	were \$2,642,251

[Note: These are snapshots of value. Market volatility affects the value each day.]

VII. The Role of the Presbytery

The Presbyterian Church (USA) is governed by councils. The councils are the Session, the Presbytery, the Synod, and the General Assembly.

A brief overview of the responsibilities of each presbytery is furnished in the Book of Order:
The presbytery is responsible for the government of the church throughout its district, and for assisting and supporting the witness of congregations to the sovereign activity of God in the world, so that all congregations become communities of faith, hope, love, and witness. As it leads and guides the witness of its congregations, the presbytery shall keep before it the marks of the Church (F-1.0302), the notes by which Presbyterian and Reformed communities have identified themselves through history (F-1.0303) and the six Great Ends of the Church (F-1.0304). (Excerpt G-3.0301)

- The presbytery has responsibility and power to:
- a. provide that the Word of God may be truly preached and heard.
 - b. provide that the Sacraments be rightly administered and received.
 - c. nurture the covenant community of disciples of Christ.

The presbytery fulfills its mandated functions in a variety of ways including, but not limited to, the Commission on Ministry, Commission on the Preparation for Ministry, Judicial Commission, Office of the Stated Clerk, Committee on Nominations & Representation, Trustees/Budget & Finance Committee, maintaining ecumenical relationships, and maintaining relationships with the Synod and the General Assembly.

The presbytery's mandated tasks focus on assisting congregations in their efforts in fulfilling the mission of the church; presbyteries have the latitude to conduct their own programs as needed and as resources are available. The Budget & Finance Committee and the Leadership Team have focused on resourcing the mandated tasks first and then resourcing other ministries as monies are available.

VIII. Continuity and Change

When presenting the 2020 Budget, the Leadership Team and the Budget & Finance Committee outlined the following course of action:

The Leadership Team and the Budget & 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.

This year's budget reflects that commitment and continued movement toward that announced goal.

Projected income and ministry expenses for 2022 assume a movement to a "new normal" as we move out of the multiple pandemic effects of the last 2 years. Such projections are an art form and not a science; the recommended 2022 Budget represents the best efforts of the artists on Leadership Team and the Budget & Finance Committee.

Narrative Related to Various Areas of Budget

Please note that the budget was created in consultation with all ministry areas using the Ministry Action Plan (MAP).

Administration and Support Team

The budget totals in this area reflect:

- A. Elimination of Communications Committee as part of structural streamlining.
- B. Monies for Staff Search costs since the search for the permanent EP/Stated Clerk or the Associate Presbyter may continue into 2022.
- C. Customary expenses for administration.

Budget & Finance Committee

The budget totals in this area reflect the anticipated costs for a Financial Review to be done in 2022. The Presbytery has an audit performed every three years with Financial Reviews in the two other years. (An audit was performed in 2020 on 2019 financials.)

Congregational Support Team

The 2022 Budget recommendation reflects:

- A. The work of the Commission on Ministry remains the same as for 2021 with a shift in some of the particular line items for COM.
- B. Vital Congregational Initiative remains as it was in 2021.
- C. The Mediation Committee's budget was reduced from the 2021 budget.
- D. Response Committee was reduced from the 2021 budget.
- E. Congregational and Worshipping Communities Support is reduced to reflect the formula provided in Presbytery's December 2018 decision to provide monies for this purpose.
- F. Kalamazoo North reduced their request consistent with the encouragement offered in 2021.
- G. Korean Ministries is budgeted for the same amount as 2021, recognizing that it will be early in the fall of 2021 before they know how many students will be able to come back to campus after having gone home during the pandemic.
- H. A line item titled "Matthew 25 Initiatives" was added to Congregational Support. The PC(USA) Mission Agency links Vital Congregations, dismantling structural racism, and eradicating systemic poverty. At the June 8, 2021 Stated Meeting, the Presbytery adopted a statement and made commitments to combat racism. At the September 18, 2021 Stated Meeting, the Presbytery will hear a presentation and begin discussion regarding becoming a Matthew 25 Presbytery with a vote likely in December 2021. The monies allocated for Matthew 25 will help provide the necessary resources to the Presbytery, its congregations, and its ministry partners for these commitments to be implemented.

Dynamic Leaders Team

The 2022 Budget recommendation reflects:

- A. The same level of support for the Cohort groups.
- B. Elimination of a stipend for Ecumenical Center for Christian Leaders, but the addition of a partnership with Synod of the Covenant to provide training through LeaderWise.
- C. An addition of monies for Justice Ministries to assess involvement of local congregations in work of justice ministries and to link, train, and help them access resources for the work of justice.
- D. The Commission on the Preparation for Ministry remains the same as in 2021 with some reallocation within categories.
- E. Resource Ministries are increased to continue to provide needed resources for congregations and leaders as they adapt to the "new normal."
- F. Scholarships for Continuing Education decreased based on experience.
- G. Activities, Montreat/Plunge/Triennium is increased to reflect that 2022 is the year for the Triennium, along with other expected youth activities.
- H. Youth ministries and youth scholarships level reflects the guidelines established in 2018 regarding the use of monies derived from the sale of Presbytery properties.

Leadership Team

The 2022 Budget recommendation reflects the expectation that in 2022 more of its activities may take place in person and will involve acclimation of new permanent leadership.

Mission & Outreach Team

The 2022 Budget recommendation reflects:

- A. A level of support for each Campus Ministry reflective of our commitment to recognize the importance of these ministry efforts balanced with prudent use of financial resources consistent with the adopted goals of the Presbytery.
- B. “Presbyterian Disaster Assistance” was not budgeted for 2022 because the Presbytery has monies available for disaster assistance in a fund designated for that purpose which it received as part of the disposition of the John Knox properties.

Nomination & Representation Committee

This committee is critical to our functioning as a Presbytery. The recommendation reflects their expressed needs for 2022.

Permanent Judicial Commission

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

Personnel/ Staff Narrative

Budgets are established reflecting the positions expected to be filled at the time the budget is established. They do not represent contracts or monies to be paid to the individuals filling the positions. A termination of employment may lead to a shift in responsibilities or duties either increasing or decreasing an individual’s compensation. Staff responsibilities may be shifted to reflect competencies and changes in availability. In 2020, the Presbytery filled the budgeted administrative position with a Technology/ Communications Resource person to meet the increased technology and communications needs of the Presbytery.

Salaries for Officers and Staff Salaries are presented as a single line item in the Proposed 2022 Budget. The specific 2022 compensation rates for staff members will be set by those having supervisory responsibilities following review of performance and delineation of expectations for 2022. This is consistent with the patterns established in many of our larger congregations and in many not-for-profit organizations.

Permanent Executive Staff positions and compensation ranges were approved by the Presbytery in March 2021. The Search Committee plans to bring recommendations to the Presbytery when it has completed its work. Currently it is not possible to predict with certainty when that will be. Please note that the salary and benefit package for the permanent positions will be recommended to the Presbytery at the time the nominated leaders are presented for approval. The approved position descriptions indicate that, “The supervision, review, and adequacy of compensation (of these positions) shall be reviewed by Leadership Team at least annually.”

It is impossible to know at this time when the Transitional Leadership positions will be terminated and when the new positions will be filled. The money for salaries in either case will come from the pool of “Officers and Staff Salaries”.

The 2022 Proposed Budget includes an aggregate 4.75% increase for the Officers and Staff Salaries.

- Compensation for 2021 was frozen at the 2020 level; there has been no increase for two years.
- Social Security increased by 1.3% from 2020 to 2021. Estimates for this year’s Social Security increase expected to be announced in October 2021 range between 3.8% and 5.2%. (Sources: Kiplinger, Forbes).
- On July 13, 2021, the Bureau of Labor Statistics released its June 2021 Consumer Price Index which showed its “all items index” rose by 5.4 percent over the previous 12 months.

The anticipated Staff configuration for 2022:

- Bookkeeper/Administrative Assistant – 15-20 hours per week.
- Office Manager/Communications -- 30-32 hours per week.
- Technology Manager -- Average 15 hours per week.
- Technology/Communication Resource Person -- Average 10 hours per week.
- Associate Presbyter – Part-time called position.
- Executive Presbyter/ Stated Clerk – Full-time called position with health and pension benefits
- Treasurer – Salaried for 15 hours per week.

This equates to the full time equivalent (FTE) of 3.75 assuming 40 hours as full-time employment.

The Budget & Finance Committee and Leadership Team recognize that the Presbytery is a service organization with many similarities to school systems in which salary costs represent a significant portion of the budget. It also looks at data from our congregations.

Each year the congregations within the presbytery return information to the Stated Clerk related to finance. This data is compiled for all the congregations of the presbytery. Please note that the data referenced below was collected for fiscal 2019 with a final report issued on August 17, 2020. Completed reports for 2020 are expected to be available mid to late summer and were not available at the time this report was assembled.

	Total for PLM Congregations	PLM*
Annual Expenses	\$13,838,446	\$740,066
Personnel Costs	\$ 7,792,875	\$334,558
Personnel as % of total	56.31%	45.21 %

*PLM figures are from 2019 Financial Reports distributed as part of the March 2020 Stated Meeting packet.

The Personnel Expenses in 2022 Budget as proposed in the First Reading would constitute 44.68% of the PLM Budget.

Operations Narrative

Building Maintenance/Lease

Budget reflects lease costs and anticipated maintenance costs.

Building Utilities

Projected on basis of usage and utility rate increases.

Communications & Technology

Reflect changes in needed technology for 2022.

Computer Support

Reflects experience of 2019-2020 and YTD 2021.

Contract Service (payroll, recording clerk, other)

Reflects known and anticipated costs

Equipment Acquisition

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

Equipment Repair and Maintenance

Budgeted amount appears adequate based on history.

Fees and Service Charges

Budgeted amount appears adequate based on history.

Insurance - Comprehensive

Reflects anticipated costs based on 2019 and 2020 experience

Insurance - Workers Comp

Based on experience in 2019 and 2020.

GA Meeting and Retreat

Operational Expense involving General Assembly participation

Governing Body Meeting Expense

Participation in Governing Body meetings when commissioners or staff members are delegated, requested, or instructed to attend.

Legal Expenses

Reflective of 2019-2020 and 2021 YTD experiences, and consistent with anticipated expenses for 2022.

Moderator/Vice Moderator Travel Expenses

Travel for Moderator/Vice Moderator in performance of official duties.

Moderator Training Expenses

Costs associated with education and training of person to serve in these functions.

Postage

Projected expense based on 2019-2020 and 2021 YTD experience

Printing

Projected expense based on 2019 -2020 and 2021 YTD experience.

Supplies

Reflects experience

Telephone/ General

Projected expense based on 2019-2020 and 2021 YTD experience.

Website and email contact expense

Projected expense based on 2019-2020 and 2021 YTD experience.

Vouchered Expenses

Projected expense based on experience and projected need.

The 2022 Budget as presented is an investment in the Presbytery's collaboratively developed ministry priorities. It reflects the goals and priorities established by the Presbytery in 2018 and follows the trajectory of assumptions and commitments previously communicated to the Presbytery.

Recommendation to the September 18, 2021 Stated Meeting that:

the 2022 Per Capita for the Presbytery of Lake Michigan be \$24.50.