

**Finance Committee of the Vestry
Saint Michael and All Angels Church**

Minutes, February 19, 2019

Present: Stuart Brown, Barry Hancock, Kathy Kelley (Treasurer), Jeff Kilpatrick, Bill McGannon, Andy McRoberts, Stacey Malcolmson, Grady Schleier, Jim Smith, Chris Wiley

Ex-officio present: Rob Baber (Director of Finance), Rev. Dr. Chris Girata (Rector), Warren Houser (Senior Warden), Jay Lipscomb (Warden At-Large), Caroline Marak (Stewardship Manager), Keith Quarterman (Executive Director of Operations)

Absent: Janice Bywaters

1. Approval of agenda and minutes

The agenda for the meeting and the minutes from the January 15, 2019 meeting were approved.

2. Review of Fund Solicitation Request

Fr. Girata presented a Fund Solicitation request to collect contributions for scholarships to the 2020 Lambeth Conference. Every ten years, every bishop in the Anglican Communion is invited to Canterbury, UK by the Archbishop of Canterbury. For a great number of bishops around the world, it is impossible to pay for this trip. The Anglican Communion Office is asking anyone able to consider making a \$10,000 scholarship to support a bishop and their spouse to attend the conference. This collection will be announced at services during Lent. Additionally, an article will be written for the March Archangel. No direct solicitation communication will be made other than by announcement and the article in the Archangel. Saint Michael is a leading participant in the Compass Rose Society supporting the Archbishop of Canterbury. The committee unanimously approved the fund solicitation.

3. Review of December 2018 Financials – hard close

Mr. Baber reviewed the final results of operations for the year ending December 31, 2018. Total net operating revenue was \$5,441,219 versus a budget of \$5,209,563 resulting in a positive variance of \$231,656. Total operating expenses were \$5,171,567 versus a budget of \$5,209,165 resulting in expense savings of \$37,598. This results in a net positive variance of \$269,254. Mr. Baber noted that the revenue stayed flat from the soft close presented in January, but expense had increased by approximately \$15,000. In the January Vestry meeting, the Vestry approved funding \$186,000 to the School Transition Fund held by the SMAA Foundation. This was the original funding scheduled for transfer to the Foundation, but was not included in the 2018 budget. Additionally, the Vestry approved a transfer of \$70,000 to the Maintenance Fun held by the Foundation. This will still leave a positive variance of \$13,652 for the calendar year of 2018.

4. Stewardship Update

Ms. Marak recapped the stewardship report through January 15, 2019. We have received 1,049 pledges totaling \$5,619,760 as of February 1, 2019 which is the cutoff for budget purposes. An additional 24

pledges in the amount of \$103,880 have been received since that date. This is approximately a \$450,000 increase over 2018. The Stewardship area is building on the information that has been gained in recent years to better address the non-pledging families in the parish. The committee congratulated Stewardship for a successful 2019 campaign.

5. 2019 Budget Review

Ms. Kelley and Mr. Baber presented the 2019 budget to the committee starting with the revenue worksheet and the successful 2019 stewardship campaign. Using the worksheet and the February 1, 2019 pledge amount of \$5,620,000 the revenue model calculates the anticipated pledges made later in the year, pledge overpayments, and unpaid pledges to calculate the 2019 pledge revenue of \$5,678,000 using three year percentage averages in each category. Unpledged contributions, plate contributions and payments on prior year pledges are also calculated using three year trailing averages. Given this model, total revenue of \$6,424,000 is used for budgeting in 2019 which is approximately \$390,000 higher than 2018.

Overall, the budgeted expenses have also increased by \$390,000 giving a breakeven total budget for 2019. A number of budgeted positions were added during 2019 and just the full year costs of annualizing these additional positions represents a \$250,000 increase over the previous year. The increase in budget continues to emphasize the directives in 2018 including worship experiences, formation offerings and engagement. We do anticipate the addition of 3 to 4 employees during 2019 including an Adult Formation Director, a Children's Minister along with two administrative assistants. Additionally, a Vice-Rector is budgeted to be hired during 2019, but this was a fully budgeted position in 2018. Salaries and benefits represents about two-thirds of total expenses. Operating expenses within each department are largely flat between 2018 and 2019.

The committee discussed the increases in expenses and Ms. Kelley did note the transition accrual anticipating the departure of ESD is not included in this budget. Mr. Smith mentioned the rough estimate of an additional \$600,000 to cover this departure of ESD did not include the 14% diocesan assessment on the additional revenue. Also noted was no additional revenue from the north land has been budgeted in 2019. Leadership has some flexibility in the budget during the year because there are no commitments on the additional positions budgeted. If needed, the start dates of these anticipated hires could be delayed or shelved depending on the financial performance during the year.

Additionally, Mr. Quarterman informed the committee that one of our two chillers is down and could possibly need replaced or overhauled as soon as possible. Operations is meeting with different vendors and experts to determine the best course of action for this chiller. Operations does have a capital budget in 2019 in addition to monies held in the Maintenance Fund at the Foundation for major equipment repair and replacement.

The committee voted unanimously to recommend the 2019 budget to the Vestry at the next Vestry meeting on February 20, 2019.

No other discussions of new or old business was needed and the meeting was adjourned.