

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

Minutes, February 18, 2020 - Draft

Present: Janice Bywaters, Kathy Kelley (Treasurer), Jeff Kilpatrick, Stacey Malcolmson, Bill McGannon, Andy McRoberts, Grady Schleier, Jim Smith, Chris Wiley

Ex-officio present: Rob Baber (Director of Finance), Ken Brannon (Vice-Rector), John Ellerman (Junior Warden), Rev. Chris Girata (Rector), Jay Lipscomb (Senior Warden); Caroline Marak (Stewardship Manager)

Absent: Joseph Cahoon, Mike Ernst

1. Approval of agenda and minutes

The agenda for the meeting and the minutes from the January 14, 2020 meeting were approved.

2. Update on Beck contract review

On January 18, 2020, Ms. Kelley circulated a contract by email to members of the finance committee regarding the architectural work to be performed by H.C. Beck Ltd. firm related to the upcoming campus building campaign. She thanked the committee for reviewing the contract and voting to recommend the contract to the vestry. The contract was not available at the time of the last finance committee meeting and the timing of this work is crucial to get started as soon as possible. The work done by Beck will provide architectural renderings and models to enable church leaders, both lay and clergy, to explore the different ideas of better using the church grounds and buildings to welcome new guests and create an inviting environment to come and worship. A previously received capital gift, currently held by the Saint Michael Foundation, will be used to pay for this work.

3. Review of Fund Solicitation Request – Music – Combined Choirs Gala Concert

Rev. Girata presented the fund solicitation request for the Traditional Music Department. A combined choir concert is planned for May 27th and the music department would like to accept contributions made at the event to support scholarships for upcoming choir tours. Several trips are planned in the coming years starting with the adult choir traveling to New York City this summer. The funds will be combined with the funds raised by Saint Dunston's Choir Guild supporting church choir trips. Funds will only be raised at the event and no outside letters or solicitations will be sent. This fund solicitation was approved by the finance committee.

4. Review of Fund Solicitation Request – 75th Anniversary Funding

Rev. Girata presented the fund solicitation request for raising funds to support several activities of the church's upcoming 75th Anniversary celebration. Anniversary activities will begin in August of 2020 and conclude in May of 2021. A 75th Anniversary Committee has been formed with approximately 150 members. Committee members will be asked, by a letter from the Rector, to contribute and support the

expenses of the Anniversary celebrations and expenses that will not be covered by the church's annual operating budget. These expenses will include the travel expenses of approximately 14 ~~differently~~ different past clergy members who will visit during the yearlong celebration, music expenses including the composing of a specific piece for the anniversary along with other activities centered around music. Additional expenses will include the production of a historical picture book that will be sold to parishioners. The Anniversary Committee hopes to raise \$150,000 from this letter sent out to committee members and no further asks are anticipated. This fund solicitation was approved by the finance committee.

5. Review of December 2019 financials – hard close

Mr. Baber reviewed the hard-close results of operations for the period ending December 31, 2019. The emphasis was primarily reviewing the differences from the soft close presented in January and the hard-close numbers that will be presented to the parishioners at the annual meeting on March 1st. Revenue increased slightly as a few more contributions were received along with a couple classification changes. The negative revenue variances were in the collection of prior year pledge payments and unpledged contributions. Overall, a negative revenue variance in the amount of <\$60,474> was realized. Additional expenses were also recorded after the soft-close. Strong positive variances from SMES helped in the overall positive expense variance of \$230,530. The net operating income for 2019 was \$170,565 which was a \$170,056 positive variance over a basically break-even budget.

The committee discussed the possibilities of transferring a portion of the surplus to a reserve account held by the Foundation. After the discussion, it was agreed that \$157,000 would be recommended to the Vestry to be transferred to the reserves held by the Foundation with a) \$100,000 going toward the capital reserve fund and b) the balance of \$57,000 to be transferred to the school transition fund. This leaves a final net surplus of \$16,565 after these reserve transfers.

6. Stewardship update

Ms. Marak updated the committee regarding the final figures of the 2020 Stewardship Campaign. As of February 14, 2020, total pledges collected totaled \$6,018,765.25. This surpassed the 2020 goal of \$6,000,000. The total numbers of pledges still lagged the number of pledges received in 2019, but the average pledge increased from \$5,316 to \$5,760. Several different circumstances surround these changes, including getting a number of very small pledges off the books placed primarily for "membership" status at SMES. Additionally, some "hollow" pledges have not been recorded if the parishioner has shown a habit of not paying anything toward a pledge during the past years. Stewardship will continue to be discussed from the pulpit during the year as we concentrate on better stewardship education.

7. 2020 Budget review

The discussion of the 2020 pledge campaign led naturally into the 2020 budget review. Mr. Baber reviewed the 2020 revenue worksheet which starts with the actual number of pledges received as of February 1st. Several different figures, including additional pledges to be received during the year and pledge over and under payments, are added and subtracted from this initial amount to get to the actual budget pledge revenue for the year. A 4-year average is used to make these adjustments and the final pledge revenue budgeted for 2020 is \$6,060,000. Unpledged contributions will be budgeted at \$350,000 in 2020 as the collections of these had a negative variance in 2019. Collection of prior year pledges will be budgeted at \$129,000 as several 2019 pledges have already been paid as of today. The plate revenue will

be budgeted at \$93,000 and additional revenue of \$144,000 will be budgeted to be received from the Fredericks Square office building. This will bring budget revenue to \$6,738,000 for the 2020 calendar year.

On the expense side, Saint Michael leadership made several commitments during 2019 that will add additional expense to the 2020 year such as hiring a new position mid-year and continuing the position for the full calendar year in 2020. Additionally, ESD expense sharing income will only be received through July 2020. These commitments add a substantial amount of expenses before any new program expenses or positions for 2020 are discussed. The major additions to the 2020 budget include a hire for the leadership of the Mission/Outreach area. We anticipate hiring a clergy at this time. A membership person will also be added during the year to better welcome new members and get them plugged into the different ministry offerings. The last position that will be added is a junior graphics person to assist in the communications area. A modest salary pool for adjustments and raises equal to 2% of overall salary expense is also included in the budget. Additionally, it was discussed that this is the first budget year that we will be losing ESD reimbursement due to their move to their main campus in September. Specifically, we will lose a half-year of reimbursement amounting to an estimated \$255,680 in 2020.

To balance the budget and get to breakeven, several sources of additional funds totaling \$255,460 are budgeted to be utilized. This is deemed reasonable considering that reserves have been built up for just such purposes: the church is growing at a time when ESD has moved and we are facing a large heating repair in 2020. Sources of funds to be used include a diocesan refund received in 2019 along with drawing modest amounts from a couple reserves including \$68,000 from the school transition and \$50,000 from the maintenance funds held by the Foundation. An increase will also be made in the cash received from the Fredericks Square office building in 2020. It was noted that in total, the amount we budget to fund from the school and maintenance reserves (\$118,000) is less than the amount deposited into the funds from the 2019 income surplus (\$157,000). Also noted is that reserve balances held in those areas will still total over \$940,000 after the budgeted withdrawals.

The committee discussed several aspects of the budget including the use of reserves to balance the budget. A consensus of growing into the budget and correctly utilizing these reserves is proper and prudent at this time. The committee unanimously passed the budget and will recommend the budget to the Vestry on February 19th.

8. Additional Item

A short discussion regarding the passing of the zoning application for the north land ended with many thanks going to the Vestry and the Long-Range Planning Committee that have put this plan together over many years.

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