SECTION 7: CONFERENCE FINANCE

All sections were approved by the indicated votes and were included in the consent calendar affirmative vote. The votes shown are those from the legislative section for each item.

Council on Finance and Administration

Report to Annual Conference 2011
Timothy J. Riss, President

Concur: 146, Non-Concur: 0, Abstain: 0; 100% concurrence, NYAC conference session: adopted

101. 2010 was a difficult year for our churches, the Annual Conference, and United Methodism in Europe and the United States. (Thank God, our churches are doing well in Africa and the Philippines!) It was said by economists that the Great Recession was over, but our people are still suffering from high unemployment and under-employment, making it difficult to fund the ministries of the church. In spite of this, our local churches were very faithful in meeting the apportionments for Shared Ministries, HealthFlex for Active Clergy, and the Clergy Retirement Security Program. Here's a table spelling out this faithful response:

Shared Ministries	HealthFlex for Actives	CRSP
89% fulfilled	95% fulfilled	93% fulfilled

102. **We have three Apportionment formulas.** You will note that the three obligations in the table above are called "apportionments" in this report. This has not been our custom, but it is time to change our custom. We have customarily only referred to the Shared Ministries fund as "our apportionments." But these three funds, billed from the Annual Conference to local churches, are all apportioned by the authority of the Annual Conference, representing what is considered a fair share of these costs for each church. They represent money which is due to the Annual Conference and which the Annual Conference has to pay out. If any local church defaults on its payments to any of these apportionments, then either the costs cannot be fully paid, or they must be paid from some fund that was created by the payments of all our churches. There are three different formulas for these three apportioned funds.

103. **The HealthFlex for Active Clergy fund** is apportioned by this formula: Take the estimated premium billed to the Annual Conference, add about 5% (this number can vary), and divide by the number of pastors and Conference employees participating in the health care benefit. (The extra 5% is to make sure we raise enough money to cover the bill, expecting that some congregations may fail to pay their share.) This number is called the "uniform rate." What is actually apportioned to the local church is the "uniform rate" for each participant employed by that church—for example, if there are two full-time pastors in the plan, the church is apportioned two shares of the "uniform rate." Optional features of our health plan, like a pastor's decision to set aside money for a Medical Savings Account, will increase the billing that goes to a particular church, but since this money is deducted from the participant's salary, there is no net effect on the local church's budget. (To be clear: churches should be deducting from pastors' salaries everything in the HealthFlex bill that is over the "uniform rate.") There has generally been a surplus generated by this apportionment, which has been segregated from other money and kept as the

beginning of a reserve for the unfunded liability incurred by our promise to pay a portion of the health insurance cost of retired pastors.

104. **The local church does not pay for the cost of a pastor's health insurance, but the church pays an amount apportioned to it by this formula.** The Annual Conference decided some years ago (as some have phrased it) "to take the health insurance bill out of the apportionments" and to bill to each church directly the cost of the health insurance for its pastoral staff. Some people think we are still in this position. Today we have a "uniform rate," and we clearly state that this is not the actual cost for health insurance for the pastoral staff. We have discovered that billing churches for the actual cost unduly complicates the appointment process, leading some churches to plead for pastors who will not bring family members into the plan.

105. **The CRSP fund** is apportioned by a different formula: Take the salary and housing expense (or just add 25% of salary for those pastors who have parsonages) for every appointed pastor on the charge, and bill the church 17.4% of that number. Unfortunately, this formula has not provided the income that is needed to pay the bill which the denomination presents us. We have generally used money in the fund that is held for pensions for pre-1982 service to pay the shortfall, but that was not possible in 2010.

106. **The local church does not pay for the cost of its pastor's pension, but the church pays an amount apportioned to it by this formula. However, this amount is very close to the actual cost of an individual pastor's pension.** There was a time when the denomination billed churches individually to fund the pensions of the pastors. Now the denomination bills the Annual Conference, leaving to the Annual Conference all decisions about how to pass the bill along to local churches. We have decided to apportion the bill to local churches based on the pastoral compensation package. For those churches who do not pay their apportionment for CRSP, the Annual Conference must find this money somewhere else. As with the structural shortfall mentioned above, we usually have paid for this from the pre-1982 plan reserve fund. In 2010 we had to pay the shortfall from the Annual Conference's health benefits reserve fund (see the report of the Conference Board of Pensions and Health Benefits for more details about these funds).

107. **The Shared Ministries fund** is apportioned by this formula: Take the amount reported on Table II by a local church for the previous year's expenses for salaries, office expense, and programming. Call that the local church's "apportionment base." Add up all the local church apportionment bases. Call that the "Annual Conference's apportionment base." Now for each local church, divide its apportionment base by the Annual Conference's apportionment base. This is expressed as a percentage number. For example, a church in 2009 paid for expenses so that its 2010 apportionment base was $153,012. The 2010 Annual Conference apportionment base was $34,059,412. This particular local church's apportionment base was 0.44925% of the Annual Conference's. We multiplied that number by the major categories in the Shared Ministry fund (which are Clergy Support, Administration, World Service and Conference Benevolences, Ministerial Education Fund, Black College Fund, Missional Priority Fund, and Africa University Fund), and we billed that local church accordingly for its fair share of the Shared Ministries fund.

108. There has always been a shortfall in the income for this fund, going back as far as I have seen records. For most of our history, we have short-changed some causes and paid for some others using reserves accumulated from various sources. Our current reserve fund was generated primarily by a line item in the Shared Ministries budget. A secondary source has been some money we recently received, refunding some of what we had been required to pay as a result of a court order after the Pacific Homes lawsuit in the early 1980s.

109. We would like to emphasize that, in spite of all the stress of the economic downturn, the people called United Methodist in the New York Annual Conference heroically supported the ministries of their local churches, their districts, their Annual Conference, their worldwide connection, and thousands of ministries unrelated to the denomination.

110. **In last year's report**, we called the Conference's attention to the 40-year history of budgeting for ministries beyond the local church, including funding the pensions and health benefits of our clergy. We announced our intention, based on our disciplinary responsibilities, to establish a task force across several agencies to look at the finances of the Annual Conference as they are affected by these several agencies. At last year's session, the Annual Conference voted to establish a special task force, appointed by the Bishop, to do several things, including an inter-agency overview of finances. It is possible that this task force will accomplish what we intended to do, and we are waiting to see if that will be so. We thank God for the members of this task force, who are working diligently under the leadership of the Rev. John Cole to do a strategic analysis of our current situation. (See the report of the Strategic and Economic Analysis Task Force.)

111. **2010 has been a year of transition.** We reluctantly said farewell to our long-time Treasurer and Director of Administrative Services, Ernest Swiggett, and welcomed Ross Williams as our new T/DAS. One of the things transition will confirm is the value of those who have left, and we have been amazed at how many things Mr. Swiggett did for us. We are blessed that he has remained available since his retirement to help us out. He always seemed irreplaceable, and the magnitude of his contributions to our Annual Conference is more and more apparent as we do without him.

112. Another thing that transition will confirm is the value of new people to an organization, because they bring different perspectives, assumptions, gifts, and graces. In Mr. Williams we have found a deeply committed, hard-working, clear-thinking man who has become, himself, irreplaceable. Two of his most admirable qualities have been his courage and leadership in facing some unexpected challenges. As he has done so, he has brought to our attention several serious problems in our practices around communication and cash flow.

113. **Challenges: I. Camping and Retreat Ministries.** One area in which communication and cash flow have been perennial problems has been in Camping and Retreat Ministries. We cannot remember a time when our funding of CRM was secure, although we have been repeatedly reassured that the operations have been breaking even or showing a surplus. But the properties we rely on have had significant capital needs for many years, and the capital funds drive that was approved some years ago was aborted primarily by the Great Recession. This did not change the fact that we had ongoing capital needs. As you can read in the CRM report, over $2 million were spent on capital

improvements from 2006-2010. The problem, from our perspective, is that all of that money was supposed to come from income generated by the CRM program. However, a little more than half came from the Annual Conference's reserves. This has forced the Treasurer to delay payments to the denomination, introducing at one point a six-month lag in pension payments. (Currently the lag is three months.) It has also forced the Treasurer to withhold money from the program ministries of the Annual Conference.

114. CCFA understood that the Conference Treasurer was responsible for payroll processing, but it was not until December of 2009 that we were informed that the camping program had not always reimbursed the Conference for payroll checks we had printed. At that time, Bishop Park convened a task force that met January 5, 2010 to discuss the future of Camps and Retreat Ministries, with an emphasis on financial health. We assigned our Vice-President for Finance, Bob Pollsen, and Rev. Kent Jackson to this task force. As far as we know, this was its only meeting. In March we were informed that a retreat sponsored by the CRM Governing Board had effectively dealt with these issues, and repayment of payroll had resumed.

115. However, in September of 2010 we were surprised to learn that the resumption of payments had been brief, and that the Conference had expended approximately $1,043,000 (as of September 15)) of unreimbursed funds on the camps for the years 2005 through 2010. Part of this amount due was caused by the fact that the CRM Governing Board and we had different understandings about their responsibility to reimburse the Conference for insurance costs.

116. CCFA created a task force of representatives of the CRM Governing Board, CCFA, the Board of Trustees, and the Cabinet, which met twice. These were wonderfully productive meetings, especially as we discovered that a great deal of miscommunication was inhibiting the resolution of the financial crisis we were experiencing. At the end, the CRM Governing Board agreed to a repayment program which has at its center a commercial loan. Legislation for this is due to be presented at the Corporate Session of the 2011 Annual Conference, and greater detail can be found in the CRM report.

117. A new task force, led by Bishop Park, consisting of three Cabinet members, three CCFA members, three representatives from the CRM Governing Board, two Trustees, and the Conference Treasurer has been formed to ensure maximum coordination and communication through the next year.

118. We cannot overemphasize the need for the Annual Conference to restore the reserve funds that were unintentionally expended through CRM. If the Annual Conference defeats the proposal for a commercial loan, some other remedy must be applied to ensure that there will be cash flow this summer to cover the most basic costs of the Annual Conference.

119. **Challenges: II. Property and Casualty Insurance.** In 2006, the Board of Trustees reported that a denominationally owned "insurance captive" would make property and casualty insurance available to local churches that would meet the minimum standards for coverage passed by the Annual Conference. Over 100 local churches signed up for this coverage. Unfortunately, one of the features of the program was that the Annual Conference was billed for the aggregate premium of the churches that signed up for the insurance. I am sure this was an unintended consequence, but since the Annual Conference is billed for a local church's insurance, if a local church does not reimburse the Annual

Conference for its share, then other local churches have to pay for the defaulted premiums. CCFA was surprised to learn in September that this was going on. Ross reported that, as of August 31, the Annual Conference had paid $1,042,783 in premiums, and local churches had returned $707,481, for a deficit of $335,302. He also reported there were unpaid premiums in the previous three years. With our encouragement, Ross worked with the Board of Trustees to change the terms of insurance for those churches that did not pay 75% of their premium by December 15. The Council feels that churches or other entities should be dropped from the program if that will increase the financial health of the Conference. We support a petition enabling that which we expect to come from the Board of Trustees. See the report of the Board of Trustees for more detail.

120. For coverage that was in place during 2010, the Annual Conference ended up paying $320,899 to insure or partially insure some local churches. This money came out of reserves and unspent program funds and was not anticipated in the budget passed last year. CCFA has been informed that the total amount billed but not collected for 2007-2009 is $394,653.

121. **Challenges: III. Staffing.** The Annual Conference is understaffed. This is part of the reason we have the first two challenges, as follow-up billings have had lower priority than some other tasks, and some tasks have had to go undone. Our employees have worked heroically to get as much done as well as they have. However, we have still lost hundreds of thousands of dollars in sloppy billing of health care and pension benefits. The Conference Board of Pensions and Health Benefits is proposing that we add a new benefits officer (see their report). We feel certain that corrected billings will result in savings that will offset the cost of the position. The benefit to the local church will be felt in lower apportionments (in both the Shared Ministries fund and the HealthFlex for Active Clergy fund), or at least a slower rise in health costs.

122. Two people left our employ in the late fall, making Ross's first year-end especially difficult. We commend him for his focus and admire him for the way he made an impossible situation look easy. We also give special thanks to our Vice-President for Administration, Margaret Howe, who spent countless hours with Ross on developing the right responses to these situations, and our colleague, Rev. William Hagerty, who spent countless hours working to reconcile our records with those of the bank.

123. There was also a challenge in the transition from Ernest Swiggett to Ross Williams. This might have gone without saying, but this was a challenge that was particularly well met. Both Ernest and Ross went above and beyond what reasonable people would have required of them, and their dedication to ministry and personal integrity called them to a higher level of service. We have been especially grateful for their collaboration both before and after the official transition period, and we thank God for providing for us through them.

124. **General Church Apportionments** were fully paid last year. With all the confusion and anxiety from the challenges noted above, this could never have happened except for the faithful response of local churches to the Shared Ministry apportionment and except for the significant leadership from Bishop Park and the rank and file members of CCFA.

125. **Local churches' failures to complete Table II.** There are some local churches that, for various reasons, fail to complete the statistical tables which provide the basis for calculation of the Shared Ministries apportionments. We believe that

there is no one fair way to handle every case. The District Superintendent will likely know the circumstances of the local churches in her or his district that fail to complete Table II. We are proposing that the D.S. assign an apportionment base to the church, after consultation with the Conference Treasurer.

126. **Errors in calculation of the Shared Ministry apportionment base.** Sometimes there are grave errors in the calculation of this apportionment base, but the Annual Conference has made no provision for relief for the church that, for example, has accidentally doubled its base. We are proposing that CCFA be permitted, at its discretion, to apply Contingency Funds (line II.H. in the Administrative apportionment) to adjust the Shared Ministry apportionment assigned to such churches.

127. **We give thanks to God** for all God's benefits, particularly the members of the Council, the staff of the Annual Conference, the Cabinet, our previous Treasurer, our new Treasurer, the agencies that have worked so hard with us to break out of our "silo" mentality, especially Rev. Bill Shillady and Greg Nissen, and the faithful members of the local churches who gave unstintingly for the ministries of Jesus Christ.

Recommendations

128. **Equitable Salaries**: The Council endorses the report of the Commission on Equitable Salaries and recommends a budget of $170,000 for minimum salary support, a slight decrease from 2011.

129. **District Superintendent salaries**: The Council recommends the 2012 salaries of the District Superintendents, Director of Connectional Ministries, and Treasurer/Director of Administrative Services be set at $75,419. This represents no increase for 2012.

130. **2012 Calendar Year Budgets**: The Council recommends three budgets with different formulas for apportioning. The Shared Ministries apportionments (consisting of Clergy Support, Administration, World Service and Conference Benevolences, Missional Priority, Black College Fund, Africa University Fund, and Ministerial Education Fund) will be apportioned according to the apportionment base of local churches as calculated in Table II of the Statistical Reports. The HealthFlex for Active Clergy apportionment will be $14,448 for each local church employing one participating clergyperson (as defined in the report of the Board of Pensions and Health Benefits), of which we expect the clergyperson to pay 10%. The CRSP apportionment will be 17.4% of appointed clergy compensation (salary plus housing, as defined in the report of the Board of Pensions and Health Benefits). See the attached schedules for details about the dollar amounts.

131. **Failure to report Shared Ministries Fund Apportionment Base**: The Council recommends the Annual Conference authorize the District Superintendent, after consultation with the Conference Treasurer and the pastor, to set the Shared Ministries fund apportionment base for any local church in the Superintendent's district that fails to complete Table II of the Statistical Tables by the announced closing date.

132. **Errors in calculating Apportionment Bases**: Sometimes errors in a completed Table II come to light after apportionments have been announced to all the churches. The Council recommends the Annual Conference authorize

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the Council to apply Contingency Funds (line II.H. in the Administration apportionment) to redress egregious errors in a completed Statistical Table II.

133. **Conference-wide appeals**: The Council recommends that appeals to all the local churches in the Annual Conference be limited to the following 23 causes:

a. Anchor House
b. Bethany Methodist Home, Brooklyn
c. Bethel Homes, Inc.
d. Bolivia—Cochabamba Project
e. Brooklyn United Methodist Church Home
f. Cambodia Mission
g. The Children's Home of Wyoming Conference
h. Co-op City United Methodist Church
i. Costa Rica, Siquirres
j. Far Rockaway Mission
k. Ghana Mission
l. Haiti, Jean Rabel
m. John Street United Methodist Church (in Manhattan)
n. NYAC Justice for Our Neighbors
o. Methodist Church Home of New York (in Riverdale)
p. Mozambique Mission
q. New Day United Methodist Church (in the Bronx)
r. New York Education Society
s. Personal Energy Transportation project in East Jewett
t. United Methodist City Society (including Five Points Mission)
u. United Methodist Homes of Connecticut
v. Volunteers-in-Mission projects endorsed by the Connectional Ministries Vision Table
w. Women's Advocate Ministry

2012 New York Annual Conference Proposed Budget

Concur: 125, Non-Concur: 0, Abstain: 0; 100% concurrence, NYAC conference session: adopted

The total, as amended/adopted at the session, is $8,968,709; apportionment income, as amended/adopted at the session is $8,627,709.

Section Motion: Camping and Retreat Ministries

That the NYAC ask the Camping and Retreat Ministries to begin to pay its own payroll to its employees rather than the current process in which Camping and Retreat Ministries is paid by the Conference Treasurer, beginning no later than 1/1/2012; and that the NYAC ask the Conference Treasurer to assist Camping and Retreat Ministries with the specifics of this change in process of paying the Camping and Retreat employees. Motion was referred to CF&A in consultation with Camping and Retreat Ministries.