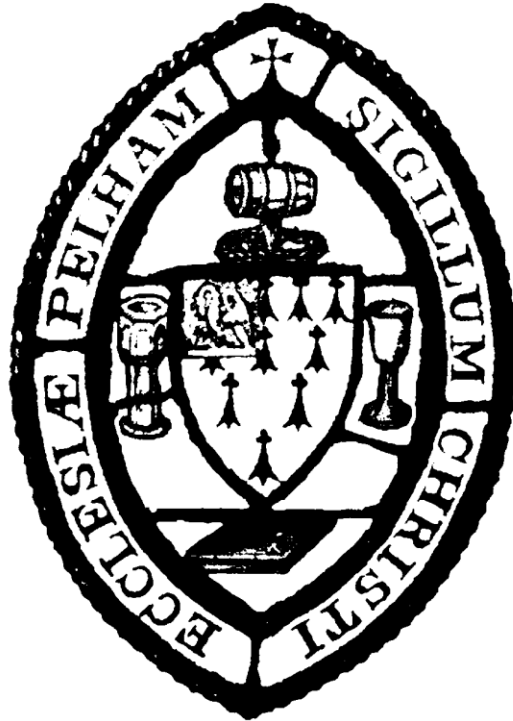


# The Parish of Christ the Redeemer Pelham, New York



## Parish Meeting on Financial Matters March 31, 2018

<u>Part 1: Expenses</u>	<u>Part 2: Income</u>	<u>Part 3: Summary</u>
Mandatory Expenses	Rentals	Spending?
Personnel Expenses	Other Income	Income?
Buildings & Grounds	Endowment	Solutions?
Programs	Pledging	Q & A

*Almighty and everliving God, ruler of all things in heaven and earth, hear our prayers for this parish family. Strengthen the faithful, arouse the careless, and restore the penitent. Grant us all things necessary for our common life, and bring us all to be of one heart and mind within your holy Church; through Jesus Christ our Lord. Amen.*

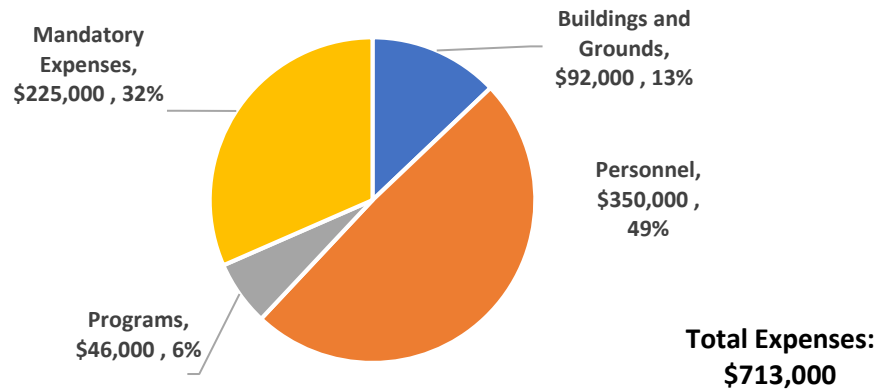
## Introduction

At the Annual Meeting of the Parish on January 27, 2019, the Vestry notified the Parish that we have a financial shortfall of approximately \$50,000. At that time this Special Meeting was called by the Rector for four specific reasons:

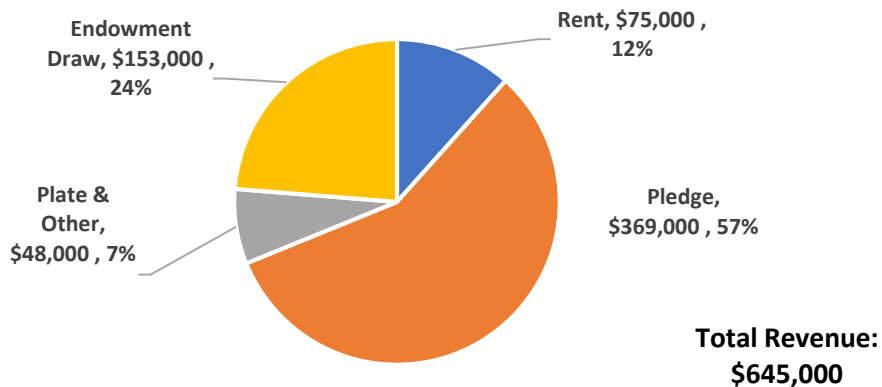
- 1) as an opportunity for the Finance Committee to provide information about our expenses and income,
- 2) to give an overview of the strategies that the Vestry might consider to reduce/eliminate the deficit,
- 3) to outline ways that parishioners can help,
- 4) and to offer a chance for parishioners to ask questions and provide input.

## Summary Pie Charts

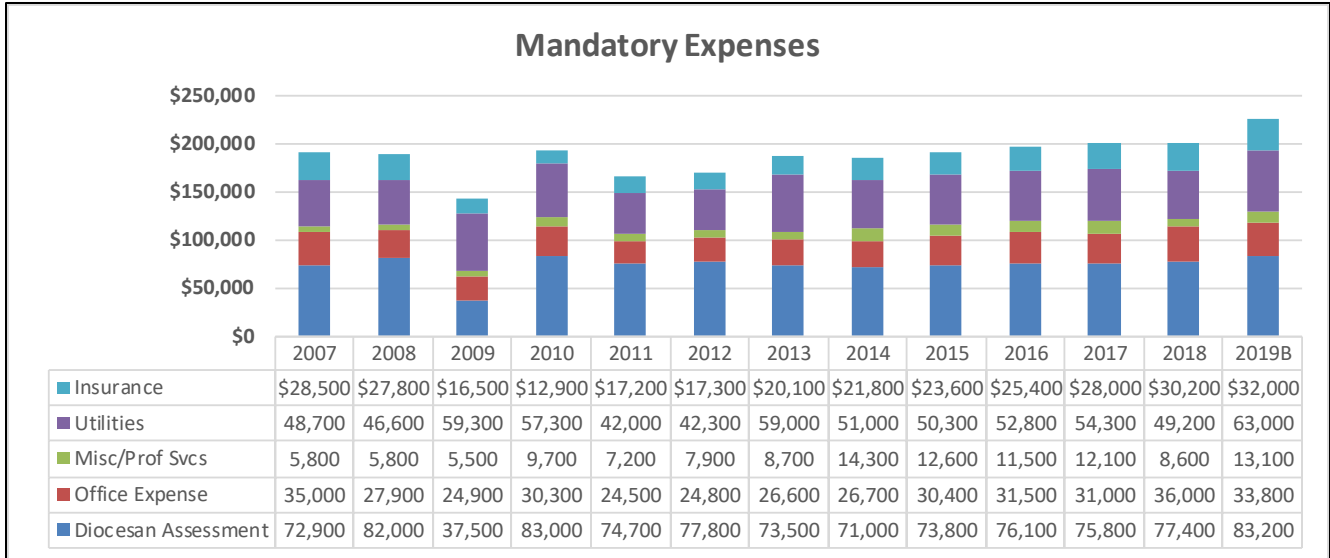
### 2019 Budget - Distribution of Expenses



### 2019 Budget - Sources of Revenue



*The charts above do not include some income/expenses that rolled over from 2018. Our actual deficit is about \$50,000.*



Mandatory Expenses can be divided into two categories:

**Expenses over which we have no control.**

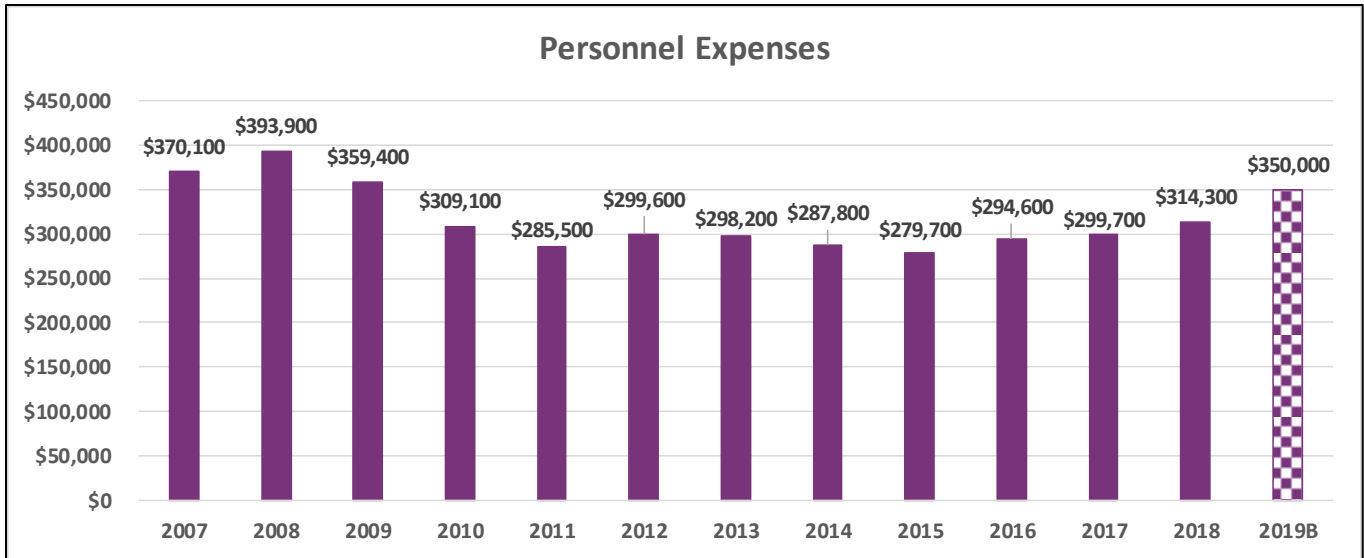
These must be paid regardless of the level of activity or revenue at the church. These include Insurance, Utilities, and the Diocesan Assessment.

- Insurance has increased by about 50% in the past five years. We have met with the insurance provider and are working to understand the origin of the recent increases, and to identify ways to reduce these costs while maintaining an appropriate level of coverage.
- Utilities – note that the 2018 utility expense was artificially low, due to a \$6,000 credit received in December. This credit was reversed in the January 2019 bill. Absent this anomaly, the 2018 expenses would have been about 55,200 and the 2019 budget about \$57,000.
- The Diocesan Assessment is determined by a formula which is applied to all parishes, and takes into consideration annual revenues and operating expenses.

**Expenses over which we have limited control.**

These generally consist of office and administrative expenses, such as the copier lease, postage (meter rental and postage costs), telephone and internet, computer support and various office supplies. Professional services are also in this category; these consist of the cost of bookkeeping and the annual audit. Note that the 2018 expense was lower than anticipated as the auditors had not submitted their bill by year end.

We have already taken some cost cutting measures, such as reducing the paper used for bulletins by eliminating printed announcements, and moving to soft copies of announcements and parish news through the weekly eblast, which saves on both paper and postage.



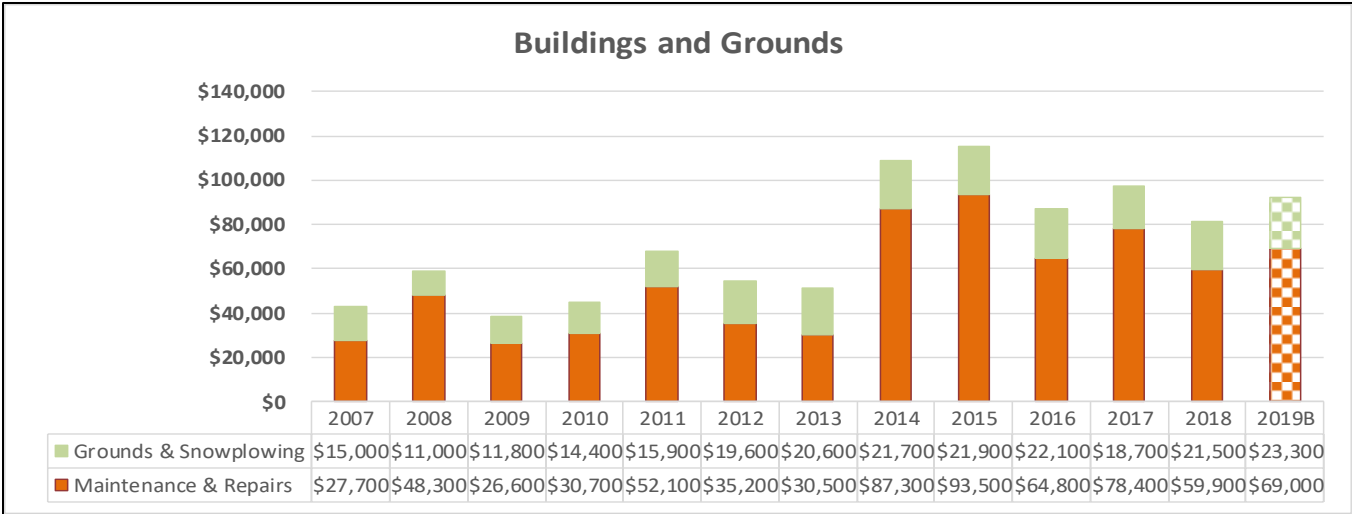
Personnel expenses include the salaries and benefits paid to the staff. Salaries comprise about 70% of the total and benefits another 25%. The balance consists of the cost of supply priests and organists, continuing education, travel expense and payroll processing fees.

#### Staffing History

- In 2007 and 2008, the staff consisted of the Rector, Assistant Rector, Director of Christian Education (part time), Organist/Choirmaster, Parish Administrator and two Sextons (both part time). The Director of Christian Education (Brooke Packard) left in February 2009, and the position was not filled. The Assistant Rector (George Rogers) left in June of 2010.
- From 2011 to mid-2018, the staff consisted of the Rector, Organist/Choirmaster, Parish Administrator, and two Sextons (both part time).
- In September 2018, Canon Susan (part time) was added to the staff; her salary for the first year (2018/19) is paid for by a grant from the Diocese. The purpose of this grant is to assist parishes in transitioning to an additional clergy person. It is a one-time grant and can not be renewed.

Over the past five years, salary increases have generally followed changes in the cost of living; the total increase equates to an average of 2.0% per year. The cost of benefits has increased by 4.8%, and taxes have increased by 3.3% over this same period.

Even with the addition of Canon Susan, the total personnel budget for 2019 is still below these expenses in 2007, 2008 and 2009. Note that the addition of Canon Susan eliminates the cost of supply priests, as she will cover when Fr. Matt is away.



**BUILDINGS EXPENSES**

Buildings expenses are divided into three categories: Recurring Expenses, Ordinary Repairs/Projects, and Capital/Special Projects. Capital/Special Projects are “below the line” and do not appear in the budget or the above graph.

**Recurring Expenses**

Recurring Expenses include items like Fire/Burglar Alarm, Fire Inspections, Fire Extinguishers, Organ & Piano Tuning, Exterminator, Boiler & AC Servicing, and Parish Property Management. Those expenses are relatively stable. Notably, we have decreased PPM from \$30,187 (2017) to \$23,612 (2019). Recurring Expenses are budgeted and shown in the graph above.

**2019 Budget**

- Alarm Monitoring: \$853
- PPM Annual: \$23,612.31
- Exterminator fee: \$1,630
- Supplies: \$5,000
- Fire Extinguisher Visits: \$390
- Annual Fire Inspection: \$1,025
- Organ/Piano Repairs: \$1,500
- Boiler and AC Servicing/Repairs: \$6,000

**Annual Recurring Expenses: \$40,010 (\$2,800 less than 2018)**

### Ordinary Repairs/Projects

Ordinary Repairs/Projects are prioritized at the beginning of the year and accomplished as quickly as financially feasible. Ordinary Repairs/Projects also include necessary repairs when something breaks or when there is a “normal emergency” (i.e. the plumber is called to replace a broken toilet or to clear a blockage in the sewer line). Because planned repairs and emergency repairs share the same allocation in our budget, we are limited in what we can do years when there are more “normal emergencies”. Recurring Expenses are budgeted and shown in the graph on the previous page.

#### 2019 Ordinary and Desired Repairs Assorted as priorities below

\$2,275	Glass window inserts for administrative offices (Budget of \$3,000/complete)
\$500	Pneumatic door closer for parish hall door
\$3,500	Bolton Altar Area Plaster work (horizontal and vertical plaster cracks, will need a structural engineer to evaluate)
\$1,000	Structural engineer cost tbd (related to above)
\$1,500	Pew and kneeler repairs
\$2,000	Upper catch basin and lower catch basin repairs/rebuilding
\$2,000	Various unplanned/unexpected maintenance expenses
\$1,200	Painting/Repair of garage door at the Rectory
\$500	Oil based space heater for the narthex
\$5,000	Insulation Issues in Sexton’s Apartment in Old Parish House
\$5,000	Explore protective fencing for children’s playground
<b>\$24,475</b>	<b>(currently \$29,000 in the budget/last year \$24,000)</b>

#### Please keep in mind what this 2019 Budget Request does NOT include

\$22,000	Stained Glass Maintenance and Repairs highlighted in the FCA
\$1,000	Children’s window re-caulking (no estimated price. \$1000 for place holder)
\$2,500	New outdoor parish signage
\$3,500	Thrive has requested the studio be painted
\$2,500	Address broken and missing storm windows in the Rectory
\$1,000	Bike Racks (2)
\$5,000	Defibrillators (2)
\$3,500	Paint Update for Upstairs Apartment in Old Parish House
\$1,000	Removal and repair of post and beam fence along Priory Lane and our field
Pndg	Any additional sanctuary repairs incurred beyond the organ budget

## Capital/Special Projects

Capital/Special Projects are outside of the normal budget and are funded either by special fundraisers, special gifts, or the Capital Campaign. Capital/Special Projects are completed on a case by case basis.

### Examples of Recent Capital/Special Projects

2017	Robert Weeks Memorial Stained-Glass Window
2018	Capital Campaign Phase 1 (Church Roof)
2018-2019	Capital Campaign Phase 2 (Various Safety & Deferred Maintenance Projects)
2019	Capital Campaign Phase 3 (Ranck Building Roof)
2019	Jack Hennigan Memorial Organ

## 2014-2018 Buildings Highlights

*All of these appear in the graph on page 5.*

### 2014 Buildings Highlights

- Rectory Infrastructure Improvements and repairs \$11,500
- Old Parish House Repairs \$9,148
- Church School Closet interior and outside related masonry and roof repairs \$17,225
- Undercroft exterior door replacement \$1,300
- \$30,000 for Old Parish House roof work (*Paid for by 2014 fundraiser*)
- Old Parish House Trim and Soffit work/leaders and gutters \$12,500 (*Paid for by 2014 fundraiser*)

### 2015 Buildings Highlights

- Gas line replacement between church and rectory \$8,750
- PPM Consultancy Fee \$2,500
- Music Room storage shelving \$2,000
- Organ and Piano tuning \$2,400
- Security camera system \$1,300
- Sewer issues \$6,890
- Chimney work \$3,000
- Rectory work including reinforcement of deck, replacement of exterior rectory door, rectory kitchen refurbishment and masonry, tree removal \$48,000 (*Paid for by an additional draw from the endowment*)

### 2016 Buildings Highlights

- First partial year of PPM \$27,000
- Drainage issues \$10,800
- Organ and piano tuning \$1,980

- Boiler and asbestos abatement \$8,200

### 2017 Buildings Highlights

- First full year of PPM \$30,187
- \$16,500 of flat roof repairs paid for by grant and fundraiser
- Rectory kitchen insulation \$2,300
- Sanctuary plaster \$4,600
- Old Parish Hall plumbing repairs \$2,300
- Church heat and a/c \$2,500
- Organ tuning and repairs \$2,500
- Old Parish House new boiler \$12,500

### 2018 Buildings Highlights

- Plumbing improvements/repairs \$4,600
- AC repairs and issues \$8,000
- PPM \$23,484

## **GROUNDS AND SNOWPLOWING**

Grounds expenses fall into two categories: monthly maintenance and special projects. The vast majority of special projects concern the trees on our grounds. *Note: The Garden of Resurrection is maintained out of an endowed fund.*

### **Monthly Maintenance**

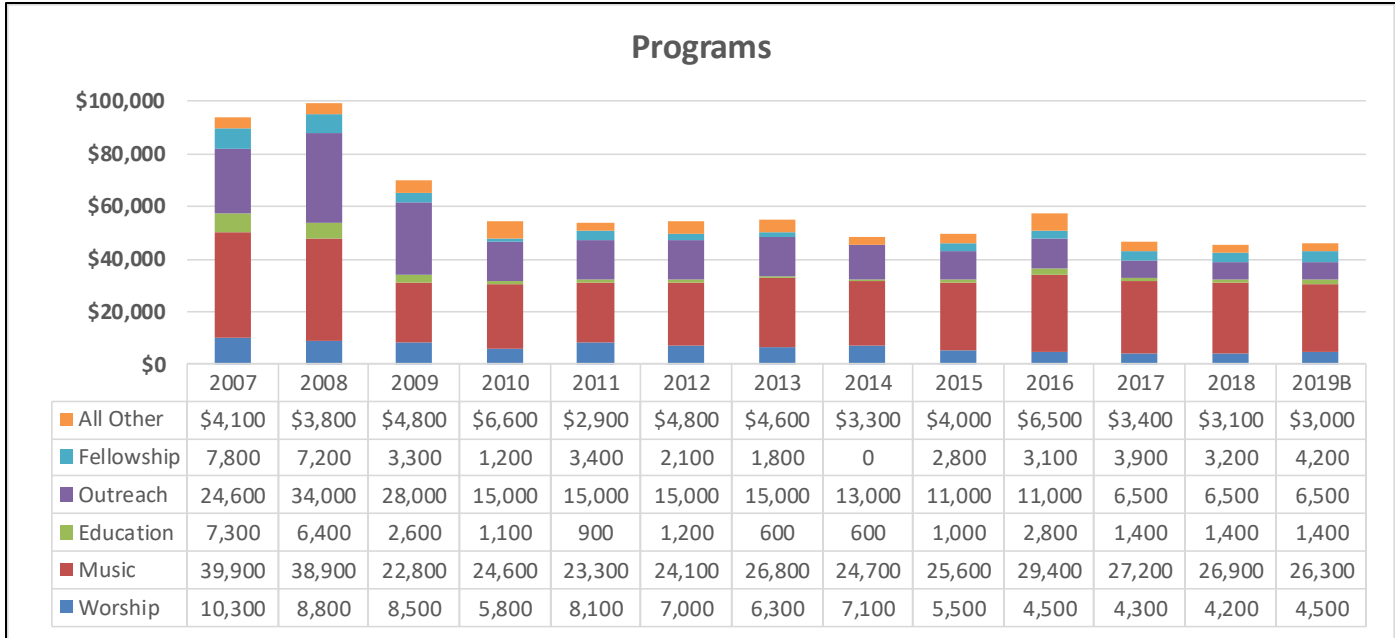
We have used Moretti Landscaping and Lawncare to care for our grounds since 2012. Over the past five years, the monthly fee has increased modestly, from \$1,375 in 2014 to the current rate of \$1,425. The contract provides for services nine months each year. Prior to 2012, our grounds were cared for by a combination of outside vendors and the sexton, who primarily mowed the grounds.

### **Special Projects**

- **Trees and Shrubs** – The church uses Almstead Tree & Shrub care for work related to our trees and shrubs. This includes: pruning and removing trees (as necessary); Poison ivy control; and treatment of other shrubs (as necessary).
- **Annual Gutter Cleaning**
- **Lawn Renovation** – in 2016, we did significant work on the field, to address the uneven surface, which included numerous holes and divots that created a hazard for those using the field

**Snowplowing:** Snowplowing expenses vary based on the number of storms in a given year. Over the past five years, these costs have ranged from \$1,048 to \$4,665. Plowing services are provided by Manor Auto Service across from the church, and cover the church driveway and both parking lots. The sextons take care of shoveling and salting the paths.

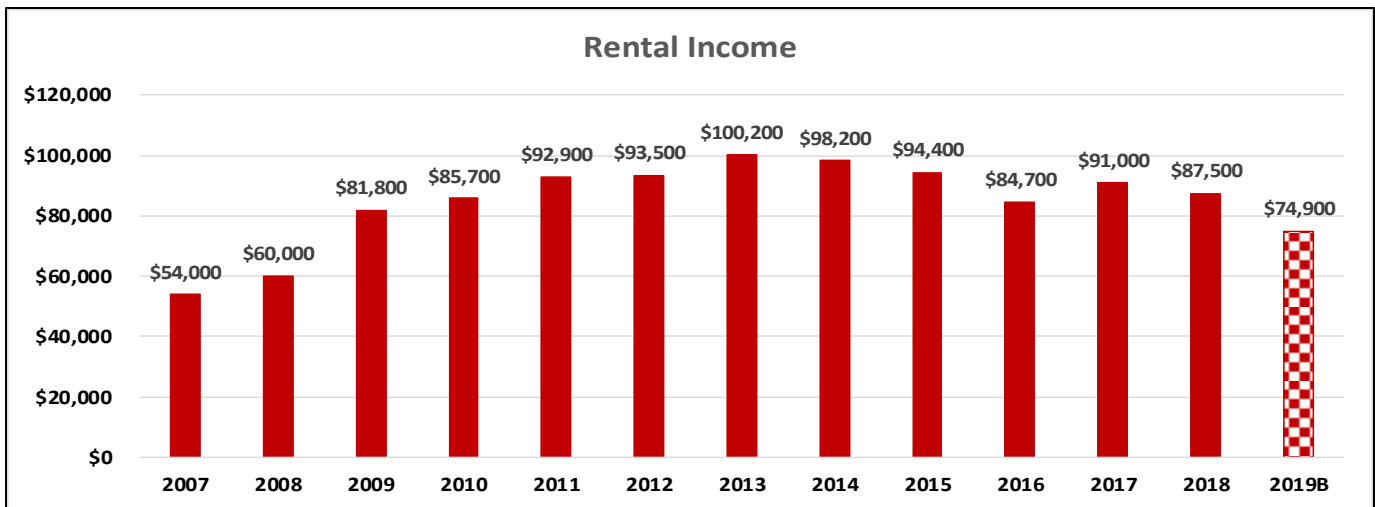




Programs include all money spent on Fellowship & Events, Outreach, Education, Church Music, and Worship Supplies. Programs comprise less than 7% of our total budget. Compare 2019 levels to 2007 levels: 2019 Music is budgeted at 66% of what it was in 2007; 2019 Fellowship is budgeted at 53% of what it was in 2007; 2019 Outreach is budgeted at 26% of what it was in 2007 (and 19% of 2008); 2019 Education is budgeted at 19% of what it was in 2007; 2019 Worship is budgeted at 44% of what it was in 2007; 2019 Other Program is budgeted at 73% of what it was in 2007.

- **All Other Programs:** Diocesan Convention, Seminars, Conferences, New Comers Reception, Advertising, Nametags, Discretionary Fund.
- **Fellowship & Events:** Coffee, Basic Hospitality Supplies, Beverages & Food for a Select Events (Annual Meeting, Christmas Day, Easter, etc.), Senior’s Lunch Supplement, Rectory Hospitality.
- **Outreach:** Grants to outside organizations (CSA, Hope Community Soup Kitchen, Kairos Outside, St. Christopher’s Inn) that have an active relationship with Christ Church.
- **Education:** Church School, Confirmation Class, Adult Education, Youth Ministry
- **Music:** Professional Section Leaders, Materials/Supplies, Christmas Pageant Support, Children’s Choir Expenses, Dues & Subscriptions. Note: The bulk of Music budget goes to our four Professional Section Leaders which cost \$540 per service. Special Music (Christmas/Easter) is outside of the budget and paid by donations.
- **Worship:** Candles & Candle Oil, Communion Wafers & Wine, Altar Guild Supplies, Linens, Child Care on Sundays, Pastoral Care Expenses.

Note: The Rector’s Discretionary Fund, many Fellowship expenses, Bagged Lunch program, Easter Appeal, Episcopal Charities, and many Education expenses are funded by donations to offset costs.



The majority of our rental income is derived from tenants that lease space from us on an annual basis. Rental income for the past five years is summarized below.

	2014	2015	2016	2017	2018	2019B
Montessori	\$28,279	\$28,636	\$29,403	\$30,380	\$31,292	\$32,225
Thrive	13,200	13,450	12,650	13,800	14,100	14,750
Parish Apt.	15,000	6,420	12,600	12,950	16,700	13,800
New Freedom Church	10,615	11,580	10,615	12,180	8,120	-
AA Groups	5,360	5,050	5,750	5,400	5,400	5,500
Gym Dandy	5,130	6,840	2,940	4,950	3,615	2,895
Fencing Class	4,720	4,740	3,460	2,800	1,360	-
Kinder Kickers	2,000	2,000	1,000	-	-	-
Parish Hall	3,600	5,100	3,150	5,775	4,150	2,650
Pelham Promenades	1,418	1,400	963	913	700	700
Garage	-	-	-	950	1,800	1,800
Pelham Larks	-	-	-	500	-	250
Other	8,850	9,225	2,125	400	300	300
	\$98,172	\$94,441	\$84,656	\$90,998	\$87,537	\$74,870

Montessori School – subject to an annual lease, has consistently increased

Parish Apartment – subject to an annual lease, has consistently increased

New Freedom Church – subject to an annual lease; **did not renew for 2018/19**

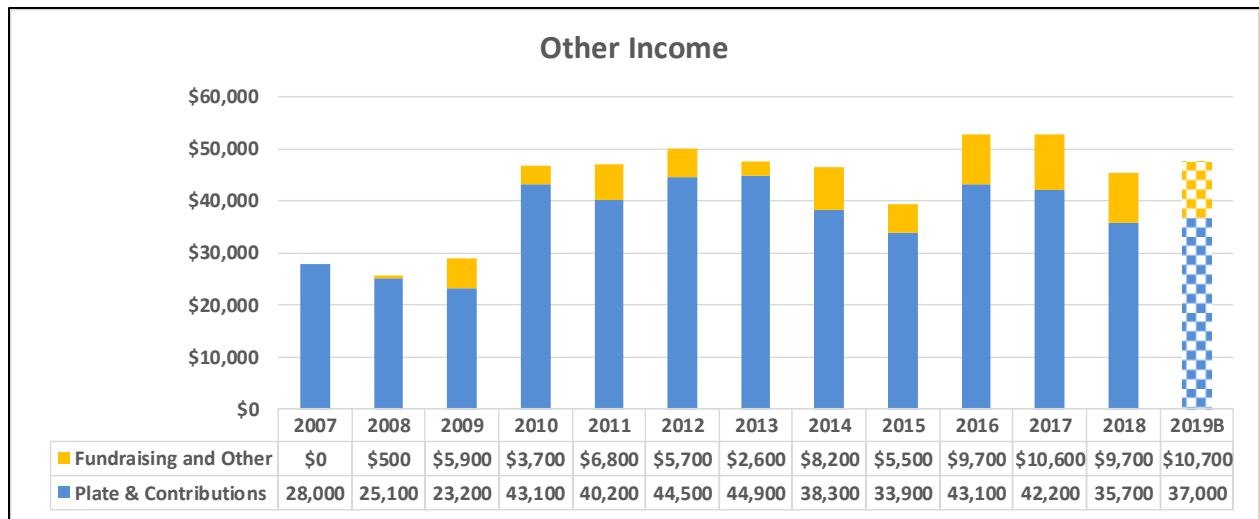
Thrive Fitness – subject to an annual lease, has consistently increased

AA Groups – payments based on donations at meetings

Fencing Class – payments based on number of sessions; **did not return for 2018/19**

Gym Dandy – subject to an annual lease, but has reduced class offerings, and so rent has decreased over the past several years

As part of their initial work, PPM reviewed the rental rates we receive from our primary tenants. They concluded that these rates were consistent with the market, and while annual increases are appropriate, significant changes to the rates would not be appropriate.



Other Income is derived from the following sources:

- Plate – collections during services
- Feast Days – donations made at Christmas and Easter (not designated for music or flowers)
- Fundraising – includes the tag sale and silent auctions
- Amazon – parishioners can designate Christ Church to receive a portion of the amount they spend
- DIT Harper Leale Fund – interest from a small endowment fund held at the Diocese

	2014	2015	2016	2017	2018	2019B
Plate Collection	\$30,700	\$27,100	\$38,400	\$34,000	\$28,900	\$30,000
Feast Days	7,600	6,800	4,700	8,200	6,900	7,000
<b>Total</b>	<b>38,300</b>	<b>33,900</b>	<b>43,100</b>	<b>42,200</b>	<b>35,700</b>	<b>37,000</b>
Fundraising and Other Income						
Tag Sale	6,400	-	5,400	5,300	7,600	5,000
Silent Auctions	-	3,700	2,500	3,500	-	3,500
Amazon	-	-	-	-	200	300
DIT Harper Leale	1,800	1,800	1,800	1,800	1,900	1,900
<b>Total</b>	<b>8,200</b>	<b>5,500</b>	<b>9,700</b>	<b>10,600</b>	<b>9,700</b>	<b>10,700</b>
<b>TOTAL</b>	<b>\$46,500</b>	<b>\$39,400</b>	<b>\$52,800</b>	<b>\$52,800</b>	<b>\$45,400</b>	<b>\$47,700</b>

Plate collection is by far the largest source of other income and includes regular donations from parishioners who have chosen not to pledge. These donations are very much appreciated but present something of a challenge when preparing the budget. As the chart shows, plate collections have fluctuated significantly over the past five years, ranging from \$27,100 to \$38,400. The 2019 budget of \$30,000 is essentially a guess; the actual results could be significantly different.

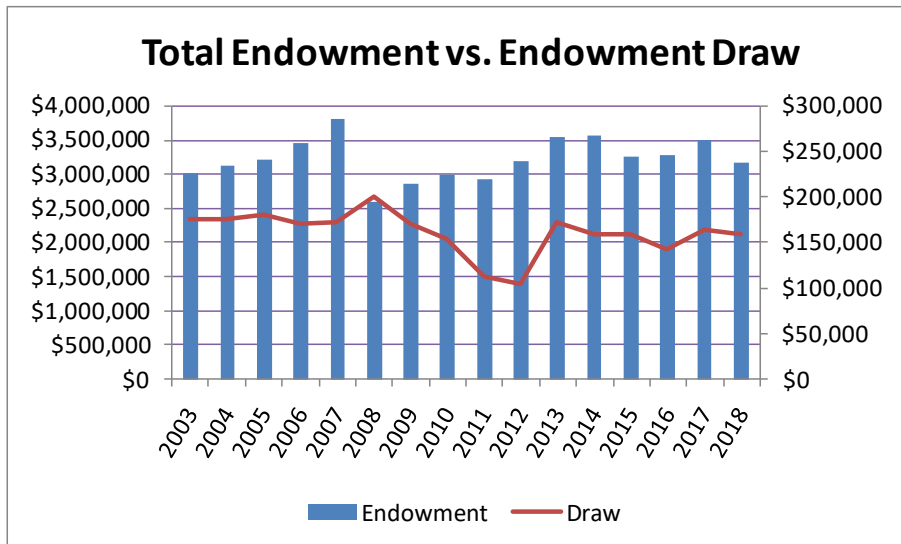
## Endowment

### The Christ Church Endowment

The Christ Church endowment has a total value of \$3.16 million. This total includes the Garden of the Resurrection (GOR) endowment (\$227,000), and the main endowment (\$2,936,000). The GOR funds are drawn to pay expenses associated with the GOR; income (typically from the sale of niches) is deposited in the GOR endowment. The main endowment includes two smaller, restricted funds, but most of this endowment is unrestricted and can be used as the vestry decides appropriate. It is our current practice to draw 5% of the average balance over the preceding three years, to support our annual operating costs.

### Endowments 101 - Endowments generally, and our endowment specifically:

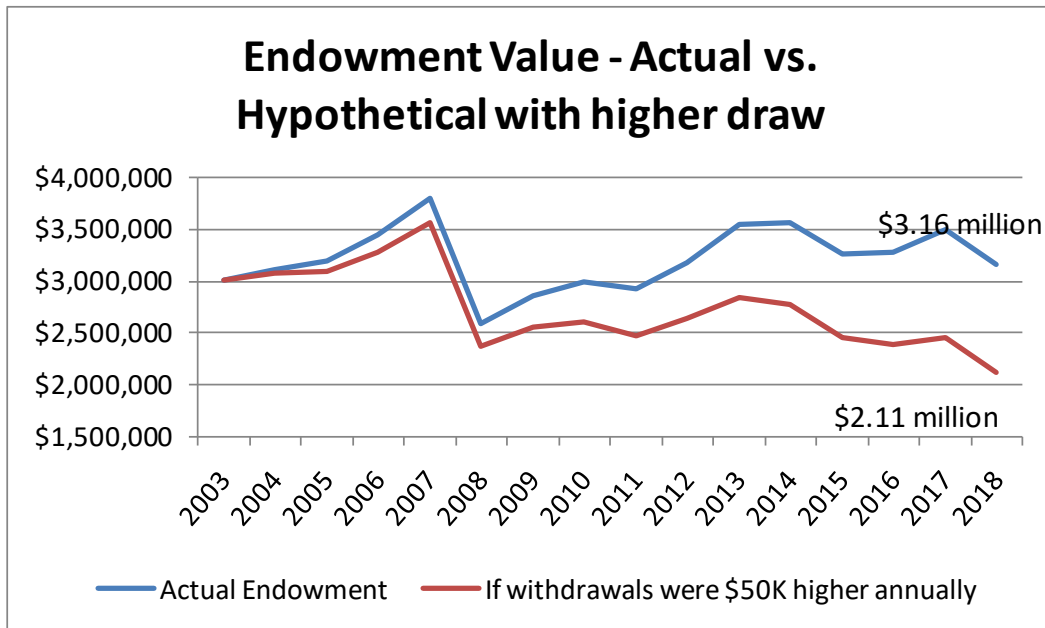
- An endowment is a reserve that creates a financial bedrock for an organization.
- We rely on our endowment in two ways:
  - We withdraw a modest amount annually (about 5% of the total endowment, or \$158,000, called the 'endowment draw') to supplement our other revenues and cover church costs; and
  - As a cushion, or 'rainy day fund' in times of extreme, unanticipated financial need.
- We have used our endowment as a 'rainy day fund' twice in recent history:
  - in 2008, when pledges declined after the stock market crash, we withdrew 7.3% of the endowment; and
  - in 2015, to make capital improvements to the rectory, bringing the total endowment draw to 6.3%.
- This chart shows the endowment and the endowment draw over the last 15 years:



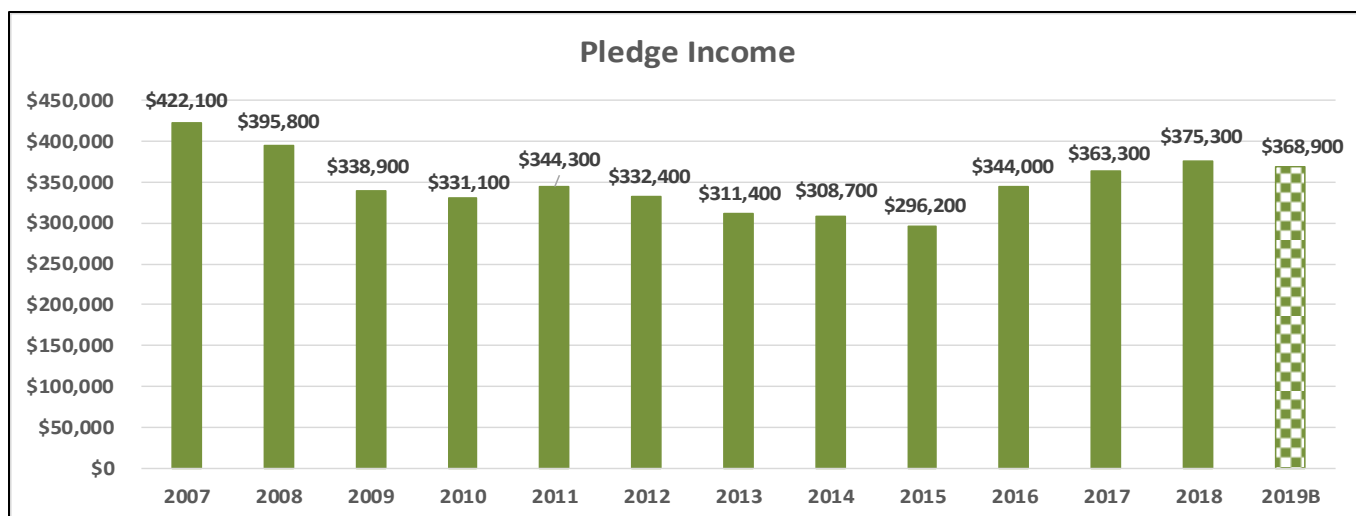
- Notice that our endowment, currently \$3.2 million, is only slightly higher than it was 15 years ago.
- That's because, over this period, we have withdrawn a total of \$2.57 million to cover operating expenses.

## **Endowment 102 - Why can't we just spend a LITTLE BIT more now?**

- Preserving the endowment ensures the long-term financial future of the church.
- Why do we have to limit our withdrawal to 5%? Can't we just spend a little more? After all, \$3.2 million is a lot of money!
- The 5% withdrawal guideline is widely used by most non-profit organizations; prudent spending is the key to safeguarding long-term financial health. The 5% mark is used because this will typically ensure that the draw does not exceed the annual income earned by the endowment investments. A higher percentage draw would erode the principal over time.



- To illustrate this point, if we had withdrawn an additional \$50K annually in each of the last 15 years, our endowment would now be only \$2.1 million, or 30% lower than the current balance.
- With a value of \$2.1 million, at 5% the draw for 2019 would be \$105,000, or \$50,000 lower than the draw based on the current, actual value. In this scenario, the 2019 deficit would be \$50,000 higher.
- Ideally, the endowment would grow over time, in order to cover the costs of inflation, and unforeseen needs, in the future. A draw at less than 5% (say 4%) would make it far more likely that our endowment would be sustainable.
- Think of the endowment as the savings account in your family budget:
  - You live within your means - regular revenue covers regular expenses;
  - Your savings account is for emergencies or long-term plans.
- The Investment Committee strongly believes that the current situation is NOT an unforeseen emergency or a one-time need; therefore, it's inadvisable to rely on the endowment to cover the shortfall.



### Christ Church 2019 Pledging Summary

	Number of Pledges	# Chg. From Last Yr.	Total \$ Pledged	\$ Chg From Last Yr.	Average Pledge
Increased	38	1	\$ 147,764	\$ 19,589	\$ 3,889
Decreased.	13	-11	\$ 40,100	\$ -20,700	\$ 3,085
Same	53	4	\$ 173,880	-	\$ 3,281
New	13	-5	\$ 8,154	\$ 7,314	\$ 627
<b>Total</b>	<b>117</b>	<b>8</b>	<b>\$ 369,898</b>	<b>\$ 6,203</b>	<b>\$ 3,162</b>
Moved/Left			-	-\$12,560	
<b>Total</b>			<b>\$ 369,898</b>	<b>-\$6,357</b>	

<u>Annual Pledge</u>	<u># of</u>	<u>Total</u>	<u>Avg.</u>
\$10,000+	9	\$ 104,840	\$ 11,649
\$7,000-\$9,999	5	\$ 42,700	\$ 8,540
\$5,000,\$6,999	16	\$ 88,510	\$ 5,532
\$3,000-\$4,999	14	\$ 52,750	\$ 3,768
\$1,000-\$2,999	37	\$ 63,400	\$ 1,714
<1,000	36	\$ 17,698	\$ 492
	117	\$ 369,898	\$ 3,162

Pledging is the largest source of our income and the one that we have the most control over. All other things being equal, pledging needs to increase annually at least as much as the cost of living increases each year. A 3% increase (minimum) in pledging per year ensures that we keep up with rising expenses, but that modest increase will never allow us to expand our personnel or program offerings and will ensure that many emergency projects require special fundraisers. Our pledging in 2019 decreased; we believe that is related to three things 1) our successful capital campaign which raised over \$550,000; 2) the numerous special events related to our 175<sup>th</sup> Anniversary; 3) an above average amount of “move away / life changing event” shifts in our pledge base.

## Summary

### **Do we have a spending problem?**

- Programs? Our current program budget is over 50% lower than the amount spent on Programs in 2007, and the cost of some of our programs is now 75% lower than in 2007. Cutting much further in any area damages/eliminates the ministry funded by the program, and almost certainly will be offset or exceeded by decreases in activity and giving by people who love and support the affected program.
- Personnel? Downsizing personnel would limit our ability to offer the programs (already stripped of funding) and decrease our pastoral care.
- Buildings? Decreasing buildings and grounds expenses means deferring maintenance and allowing safety hazards to linger. Deferred maintenance delays necessary spending and usually leads to higher repair costs in the future.
- Mandatory Expenses? The ones we have control over are linked to our other expenses. If we shut the building up and let go of personnel some of our basic expenses (heat, light, office expenses, rectory, etc.) will go down and our assessment will decrease. However, the long-term effect of such retrenchment would be a smaller congregation.

### **Do we have an income problem?**

- Rentals? We lost two rentals and that has affected our income. We need to replace these rentals.
- Other Income? Plate is included in other income and that fluctuates, but even within that fluctuation it has basically been flat since 2010. Fundraising income has more than doubled.
- Endowment? We are already drawing at 5%, and at that rate endowment has not grown in 15 years; our Investment Committee has recommended that we lower our draw to 4% or even 3% if we want to sustain the endowment, and that certainly would be a great benefit in the long-term. Anything above 5% should be considered “emergency” territory because it eats into the long-term principle.
- Pledging? A graph of pledging over the last decade is a valley between two hills. The numbers begin to decrease in 2008 and do not approach 2008 levels until 2017. We have been going in the right direction since 2016 with the notable exception of 2019.

### **So what is the solution to the 2019 deficit?**

There is no one “magic” solution to this situation. The solution will likely come from many sources, on both the revenue and expense side. But it is clear that most of the problem is due to lower income, while expenses are continuing to increase. This is what we need to address, for this year and for the future, as well.

## How can you help?

### **Think about your pledge.**

When was the last time you increased your pledge? Has your pledge kept pace with inflation? With your income? Compare your pledge to other annual costs... how does your pledge compare to other things that you spend money on each year that are important to you? If everyone increased their pledge by an average of 10%, our shortfall would be dramatically lower.

### **Think about our facilities, and potential rental income.**

You may not need to rent the Parish Hall this year, but someone else might. If you are on MOPs or DOPs or any other local forum, and someone asks "where can I have my son's birthday party?" or says "I am teaching a class and looking for a location" suggest that they check out Christ Church – and tell them how nice our facilities are, and how supportive our staff will be.

### **Think about the tag sale.**

Donate to it, help run it, tell all your friends to come check it out...

### **Think about our community, and spread the word about Christ Church.**

One of the best ways for us to grow is by bringing more people into our parish family. We realize it might feel awkward to say "come to church with me"... but how about "come to Bingo night with me" or "come to a concert with me, and hear our great new organ." Or even "Bring your dog/cat/parakeet/pet armadillo to our blessing of the animals this year." There are no shortage of events and activities at Christ Church, and everyone is welcome.



*Almighty and everliving God, source of all wisdom and understanding, be present with those who take counsel today for the renewal and mission of your Church. Teach us in all things to seek first your honor and glory. Guide us to perceive what is right, and grant us both the courage to pursue it and the grace to accomplish it; through Jesus Christ our Lord. Amen.*