

Interpretation of 2016 Conference Apportionment Budget

The Conference budget for 2016 is \$22,075,556, a decrease of \$ 1,020,652 versus the **revised** 2015 budget. Conference direct mission and ministry budgets comprise 58.6% of the Conference portion of the budget versus 50.0% in 2015 (revised).

This budget includes the recommendations from CPPPC for a 1.7% salary increase for the Cabinet and 2.5% salary increase for staff (including members of the "Extended Cabinet"). A 4.6% increase in HealthFlex premiums is also included in this budget

General Church apportionments are down 0.2%

CONFERENCE FUNDS:

AREA I. MINISTERIAL SUPPORT

Episcopal Residence/Office/Discretionary	\$ 81,400
District Superintendents' Compensation	1,829,239
District AA Pension/Ins	100,000
Equitable Compensation Fund	325,000
Board of Ordained Ministry	<u>345,595</u>
Total Area I	<u>\$ 2,681,234</u>

The Episcopal Residence and Office Fund provides the conference share of financial support for the office and residence expense for North Georgia's Resident Bishop. ALL Bishops are required to reside in conference-owned residences. In 2016, the General Church share of residence support is \$10,000, while the General Church's share of office support is \$82,900 in 2016.

The District Superintendents' Compensation line item represents salaries, health insurance and pension benefits for the twelve (12) district superintendents of our conference.

The Equitable Compensation Fund enables our conference to ensure all appointed clergy will receive Conference minimum compensation. The Board of Ordained Ministry coordinates, with the BoM, deployment and credentialing of clergy. Additionally, it coordinates the provision of support

for conference clergy through myriad services, continuing education activities, seminars and counseling support, which is essentially a clergy-specific expanded EAP Program subsidized by the Annual Conference. This ministry enables our conference to meet the high standards and expectations of local church congregations. Note that there is a decrease for 2016, due both to the decreased funding required for the transitioning fund, as well as a reclassification of expenses for the vocational discernment program to OMS, in Area III.

AREA II. RETIRED MINISTERS PENSION/INSURANCE

Retired Minister Insurance Premiums	\$2,325,000
Benefits Office Staff and Admin Exp	275,000
Retirees' Disability Premiums	195,000
Retirees' Past Service Pension (pre-1982)	<u>1,500,000</u>
Total Area II	<u>\$4,295,000</u>

Retired Minister Pension/Insurance reflects funding for the pre-1982 pension liability, as recommended by the Conference Board of Pensions. This "past service liability" must be fully funded by the year 2021. The **net** liability at 12/31/14 is estimated to be \$9,134,000. Between the \$4 million committed by the FRM, the use of the net sale proceeds of Simpsonwood (\$3.9 million), and our apportionments, we should achieve "fully funded" status in 2016.

Also included is the OneExchange defined contribution funding for the Medicare Supplemental Insurance program for retired clergy. The amount is based on claims expenses passed on to the Conference by the General Board of Pension and Health Benefits. The benefit per claimant is currently capped at \$3600/annum on the total number of claimants at 600. This program will facilitate, over time, a significant reduction in the retiree medical insurance **net** unfunded liability, estimated to be \$15,301,000 as of 12/31/2014.

AREA III. ADMINISTRATIVE FUND

<u>Annual Conference Session/ Journal/Handbook</u>	<u>\$ 215,000</u>
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This line item is increasing for 2016 due to the fact that 2016 is a general and jurisdictional conference year, which requires some additional expenses for certain extended Cabinet members to attend.

The following Area III office "sub totals" include director and staff salaries and benefits and office related expenses.

Office of Treasurer/Admin/IT Services \$ 600,000

This office develops, maintains and administers a comprehensive plan of fiscal and administrative policies, processes and services for the all Conference's administrative ministries. Additionally, the office provides workshops for clergy and laity who serve as church treasurers, financial secretaries, business administrators and finance committee chairpersons. This office also administers all conference databases and computer equipment. The computer systems manager also provides support for the district offices.

Office of Ministerial Services and Spiritual Formation \$ 440,005

This office provides for the many needs of those who have dedicated their lives to God's service through the church, including maintenance of clergy service records/files. This department also provides for credentialing and support of all conference clergy.

BOT/"New" Methodist Center Operating Expenses \$ 85,000

This represents net operating expenses for the conference offices, including insurance and telephone service for the new leased space. (Note that this line item no longer includes debt service for the Episcopal mortgage as that mortgage was paid off in April, 2015).

Council on Finance and Administration \$ 165,000

This includes conference and district audit fees, legal fees and meeting expenses for CFA. Please note that this budget reflects a \$12,000/annum decrease in audit fees, which is the result of an extensive RFP process in 2014.

Cabinet Expenses of \$50,000 are included here as well.

This represents expenses for Cabinet members related to Cabinet meetings, including Annual Conference session and Pastor's School.

Total Area III \$1,505,005

AREA IV. CONFERENCE BENEVOLENCES

Connectional Ministries:

Administrative Support & Staff	\$ 907,995
Communications	\$ 247,000
Program/Ministry Teams	\$ <u>310,000</u>
Camp and Retreat Ministries	\$ 361,800
Conference Leadership Development	\$ <u>30,000</u>

Sub Total Connect. Ministries \$1,856,795

The Connectional Ministries functions are responsible for equipping and training local church leaders for effective ministry.

Action Ministries \$ 550,000

This ministry continues the transformation of communities by counteracting social issues such as poverty, hunger and homelessness. This represents an increase of \$50,000 over the 2015 budget.

Housing and Homeless Council \$ 15,000

This line item will help fund staffing and office expenses..

Ministry of the Laity \$ 45,000

The Conference Board of Laity fosters awareness of the role of laity both within the local congregation and through their ministries, develops and promotes stewardship, provides for training of lay members, provides

support and direction for ministry of the laity and provides organization, direction and support for the development of local church leaders.

————— Total Area IV \$2,466,795

AREA V. CAPITAL FUNDING

Total Area V \$ 35,000

This line item used to include a total of \$145,000 for Camp Glisson. Note that is now included in Area IV. The previous years' activities were adjusted to reflect this reclassification. The only item in the 2016 recommended budget is \$35,000 for office equipment.

AREA VI. HIGHER EDUCATION AND CAMPUS MINISTRY

Total Area VI \$ 1,284,000

This line item represents support to the nine (9) United Methodist Colleges (7 in NGA) and eighteen (18) Wesley Foundations (12 in NGA) on college campuses in Georgia. The balance goes to support office expenses and capital funding.

AREA XII. CONGREGATIONAL DEVELOPMENT

Total Area XII \$ 2,543,694

This proposed budget includes funding for the following activities:

The Office of Congregational Development and Staff - The salaries, benefits and expenses for all personnel in the Office of Congregational Development.

New Church Salary and Support - These funds are used to underwrite the compensation packages of our new church pastors and also to provide some start-up funding.

Research and Development - These funds are used to maintain a contract with a demographic consultant and to provide partnership opportunities with districts to develop district strategies.

New Pastor Coaching- These funds are used to conduct the New Church Leadership Academy as well as to train assessment teams.

Contingency Reserve \$500,000
(This represents slightly more than 1% of the budget and recognizes the \$2.1M reserve balance at the end of 2014. However, \$216,000 was used to pay off the Episcopal mortgage in April, 2015)

SUB TOTAL

2016 CONFERENCE BUDGET \$15,310,728

GENERAL CHURCH FUNDS:

AREA VII. BLACK COLLEGE FUND
Total Area VII \$ 464,063

This line item represents our denomination's support, via supplements, of the operations and capital funding of historically black colleges and medical schools related to the United Methodist Church, including Clark Atlanta University and Paine College.

AREA VIII. MINISTERIAL EDUCATION FUND
Total Area VIII \$ 1,163,327

This ministry provides our churches financial support for the recruitment and education of our future pastors and bishops. Please note that our conference retains 25% of the fund balance for use in our conference. The retained fund balance as of 12/31/2014 is \$ 595,213. Scholarship grants can total \$1,000 per semester for undergraduate studies and \$2,500 per semester for seminary students with a lifetime maximum per student of \$20,000.

AREA IX. INTERDENOMINATIONAL COOPERATION FUND
Total Area IX \$ 91,025

This fund enables United Methodists to have a presence in the activities of ecumenical organizations, and provides our United Methodist share of the

basic budgets of those organizations which relate to the ecumenical responsibilities of the Council of Bishops and the General Commission on Christian Unity and Inter-religious Concerns. Included in this fund in 2015 is support for:

National Council of Churches	\$31,000
World Council of Churches	\$26,000
World Methodist Council	\$20,000
Pan-Methodist Commissions	\$ 3,000
Ecumenical/Multilateral Conv	\$10,000
Other	\$ 1,025

AREA X. WORLD SERVICE FUND

Total Area X \$ 3,388,466

The World Service Fund enables our denomination to strengthen its evangelism efforts, stimulate church growth, expand Bible studies and enrich spiritual commitment. This fund allows us to share in a worldwide ministry, including support for missionaries.

AREA XI. AFRICA UNIVERSITY

Total Area XI \$ 103,884

This fund supports the development of the first private university for young men and women from all over Africa. Courses of study include agriculture theology, medicine and dentistry, education, technology and management.

AREA XIV. EPISCOPAL FUND

Total Area XIV \$ 1,092,309

This fund pays the salaries (2016-\$147,081) and benefits of active bishops worldwide and some support for the retired bishops worldwide, funds the majority of the expenses related to episcopal offices and a portion of episcopal residence expenses. It also funds episcopal travel and moving expenses. There are 51 Jurisdictional and 18 Central Conference bishops and over 100 retired bishops who receive support from this fund.

AREA XV. GENERAL ADMINISTRATION FUND

Total Area XV \$ 409,105

This area funds those General Church activities that are specifically administrative in nature, such as the General Council on Finance and

Administration, General Conference session, Archives and History and
Judicial Council.

SUBTOTAL 2016 GEN CHURCH BUDGET \$6,712,179

For more information on the General Church Budget go to:

http://www.gcfa.org/sites/default/files/u3/Financial_Commitment_Book_2013-2016_FINAL_1-23-13_w_Rpt_8_edit.pdf

AREA XVI. JURISDICTIONAL MISSION & MINISTRY FUND

Total Area XVI \$ 52,649

This area supports the administrative functions of the Southeastern
Jurisdiction.

GRAND TOTAL 2016 BUDGET **\$22,075,556**

How Are Apportionments Computed?

Step 1: Conference determines annual budget, consisting of several ministries and programs, including retired ministerial support, regional ministries, new church development, General Church and Jurisdictional apportionments to the North Georgia Conference.

Step 2: At calendar year-end, the local church completes the Local Church Report to the Annual Conference. (For the 2015 budget, the latest available reports are the 2013 year-end reports.)

Step 3: The Treasurer's Office accumulates all local church reports and determines each local church's **operating expenses**. **Operating expenses** consist of salaries, pension benefits, clergy housing-related expenses, expenses reimbursements, current program expenses, expenses related to commercial insurance and other current operating expenses. Operating expenses (also referred to as "decimal" expenses) do NOT include:

HealthFlex insurance expenses, payments on indebtedness, or capital-related expenditures. Also, expenses related to "self-sustaining" activities and local benevolences are NOT considered operating expenses.

Step 4: The Treasurer's Office totals the local church operating expenses for ALL 900+ North Georgia United Methodist churches. For year end 12/31/2014, this total was \$187,674,358(an **increase of 2.8%** over 2013).

Step 5: We determine "the decimal". This is the conference budget divided by total church operating expenses (from step four). The decimal for 2016 is .118, or 11.8%. This is a **reduction of .85 points** from the revised 2015 budget. **This means that the Conference budget, expressed as a percentage of local church expenditures, in aggregate, is down 6.72% versus the revised 2015 budget (.85/12.65).**

Step 6: We multiply an individual church's operating expenses by the decimal, arriving at the total gross apportionment. We then prorate the gross apportionment to sixteen individual apportionment line items.

Step7: Churches above 1000 members will have a "reasonableness test" applied to their apportionments (see formula below), and the Cabinet **might** adjust the computed apportionments for certain churches within that size range. This methodology was approved at AC 2006.

Step 8: We sum the apportionment for each individual district and send this information to the district offices. District Superintendents review the apportionments as calculated, **and may make adjustments to the calculated amounts.** Such adjustments are made after discussion with the church's senior pastor.

Step 9: District superintendents notify local churches of their apportionment amounts. This information is provided to the pastors via "Local Church Apportionment Reports" at the summer/fall district set-up meetings.

Please note that churches that are considered "newly constituted" have 5 years to transition into their full computed apportionment. In effect, the difference between their *computed* apportionment and what they are *actually* apportioned is subsidized by the other churches in the Conference for a five year period. (This is accomplished generally by apportioning in increments

of 20% of computed apportionments per year for 5 years-20% in year 1,
40% in year 2, etc)

Detailed Explanation of Step 7 as originally approved at 2006 Annual Conference Session (and re-ratified each year since):

In order to assure that our apportionment computation and allocation system is as equitable as possible, we recommend that a "reasonableness test" be implemented, which will work as follows-

- a. Existing apportionment formula and rules for year-end report completion remain unchanged.
- b. After the apportionments have been computed for all churches, three (3) comparative groups will be established- churches with membership from 1000-1999; 2000-2999; 3000+
- c. The aggregate apportionments for each group will be divided by the aggregate membership of each group in order to calculate an average apportionment/member for each group.
- d. Any church whose apportionment/member falls below the average for its group will be referred to the Cabinet for discussion about possibly being moved up to the group average over a three (3) year period. Group average calculations will occur each year based on the latest reported membership statistics.
- e. The Cabinet will review the apportionments for the churches in all 3 groups and will, as a body, discuss and might make adjustments to each church whose apportionment is below the average for its size range.
- f. Apportionments added to the affected churches will not be offset by reductions in other churches, and will be applied to Conference-specific apportionment line items ONLY and will NOT be added to General or Jurisdictional line items.