

VIII. REPORTS

[*Note:* The proposals in the following reports are printed in the form in which the conference adopted them, which is not in every case identical to the form in which they were originally proposed.]

A. COUNCIL ON FINANCE AND ADMINISTRATION

The purpose of the Council on Finance and Administration (CFA) is “to develop, maintain, and administer a comprehensive and coordinated plan of fiscal and administrative policies, procedures, and management services for the annual conference” (§ 611.1, 2004 *Discipline*). The council has adopted this theme for its work:

Empowering Financial and Administrative Leadership.

Receipts on all funds for 2006 were \$24,668,618, or 84.97% of the total apportioned. For 2007, the charge conferences accepted 91.75%, or \$25,155,263.

The Council on Finance and Administration is proposing the budget for 2008 based upon the new funding paradigm implemented in 2005. The three-part presentation consists of Direct Costs, Operating Costs, and Ministry FairShare Askings—Conference and General Church. The Operating Costs are proposed at \$7,040,948. The overall apportioned budget for Pension, Operating Costs, and Askings totals \$28,477,823. The budget amounts were set based on the stewardship concepts contained in the new funding paradigm. Those concepts emphasize setting future budgets based on past support indexed for inflation and conference growth. The Direct Cost for insurance costs will still be based on a “per-capita cost” formula, and the Pension Fund will be based on the transitional absorption rates through 2008.

The council reviewed the apportionment formula based upon a consultation and reading of *An Initial Examination of Annual Conference Apportionment Formulae*, by Dr. Donald R. House, an economist and member of the General Council on Finance and Administration. The paper suggests that frequent unpredictable changes in an apportionment formula are never welcomed or helpful. The council, therefore, may re-examine the formula again after the new funding paradigm is fully implemented in 2009. Dr. House’s report is available on the Internet at www.wnccumc.org under downloads/publications.

The council sees itself as joining with the Conference Reorganization Task Force, the Stewardship of Giving Task Force, and the local church in the work of the financial ministry of the annual conference. We commend the 2008 budget to the conference. It represents the uniqueness and depth of ministries and missions provided by our church and the economic realities of our conference.

We note, however, that this proposed budget is 3.9% higher than our 2007 budget, an increase of \$1,062,925, and a total amount that is \$3,322,560, or 13.2%, higher than apportionments accepted in 2007.

In response to this major gap between the proposed budget and anticipated receipts, CFA continues to reaffirm these key *previous* actions that we believe will ultimately close these gaps:

1. Choice Empowerment is the official policy of the conference. The principles of Choice Empowerment include direct billing of clergy pensions and healthcare benefits, financial accountability by conference leaders, prioritizing of funds by CFA, and trust that local congregations will strive to pay 100% of the total askings and make wise and faithful choices in their support of requested funds from the conference and the general church. Choice Empowerment does strengthen our connection with financial accountability from every level of the church.
2. The Stewardship of Giving Task Force is providing a variety of events and resources to encourage individuals and congregations to be faithful stewards. We hope that faithful stewards will support the ministries and budget proposed by CFA, based on the abundance of God’s gifts to us.
3. The Conference Reorganization Task Force has been charged by the conference to propose changes in our conference vision, organization, staffing, and ministries that ensure that our conference budget does not exceed anticipated income. In recent memory, our budget has not been in line with anticipated income. We look forward to the changes proposed that will eliminate the current and growing gap between budget and income.

Proposals: 2008 Conference Funds and Financial Policies

(Petition 1) (Adopted on June 8, 2007)

The Council on Finance and Administration proposes:

1. That each of the funds described in the section of this report headed “Conference Funds for 2008” be approved and that formulas for determining the apportionments and FairShare Askings for 2008 for each chartered church/charge be approved, as follows:
 - a. The traditional **decimal** formula for determining the apportionments and FairShare Askings for the following funds:

Apportioned Funds
 Conference Operating Costs:
 District Superintendents’ Fund
 Equitable Compensation Fund

FairShare Askings
 Conference Ministry:
 Conference Benevolences
 Higher Education: Colleges, Universities, Scholarships

- Retiree/Incapacity Insurance Support
- Conference Support
- Administrative Staff Support
- Administrative Office Support Items
- Higher Education: Campus Ministry
- Health and Human Services
- Congregational Development
- General Church:
 - Africa University Fund
 - Black College Fund
 - Episcopal Fund
 - General Administration Fund
 - Interdenominational Cooperation Fund
 - Jurisdictional Administration Fund
 - Lake Junaluska Dam and Lake Restoration Fund
 - Ministerial Education Fund
 - World Service Fund

The formula shall be based on the average of the amounts paid by chartered churches during 2004, 2005, and 2006 on the following items:

Item	2004 Lines	2005-06 Lines
Total Conference Apportioned Funds Paid	Line 37B	Line 38c2 or c3
District/County Mission Society	Line 47	Line 48
District Administration/Expense Fund	Line 55	Line 56
Pastor(s) Health Insurance Premiums	Line 62	Line 63
Salaries, Housing, Utilities, Travel, and Other Cash		
Allowances Paid to Pastor and Associate(s)	Lines 63-67	Lines 64-68
Compensation of Deacon(s)/Diaconal Minister(s).....	Line 68	Line 69
Compensation of All Other Church Employees	Line 69	Line 70
Local Church Expenses for Program	Line 70	Line 71
Other Local Church Operating Expenses	Line 71	Line 72

(Notes: Line numbers refer to corresponding entries on Table 2 of the year-end reports of the pastors and local churches.)

Provided, however, that, upon request by the Cabinet and with the approval of the Council on Finance and Administration, apportionments to a newly merged church and/or relocated church ("Renewal Church") shall be calculated as if the church were a new congregation.

- b. **Direct costs** for pastors' insurance and pension funds:
 - (1) The direct cost of each eligible pastor's individual health insurance premiums, whether the pastor is appointed to a chartered church or to a mission or to a new church start, shall be apportioned and paid according to the per-capita cost thereof, determined by dividing the total estimated costs for 2008 by the number of eligible clergy. Each chartered church/charge or the sponsoring group of each mission or new church start shall pay the per-capita cost as thus determined for each eligible clergy person so appointed.
 - (2) The direct cost of each pastor's pension support shall be apportioned according to its actual cost as billed by the General Board of Pension and Health Benefits. The calculation of actual cost per pastor is based on the pastor's Plan Compensation as defined in the Plan Document. During the years 2005-09, an absorption rate will be provided to all churches/charges at 10% for 2005, 30% for 2006, 50% for 2007, 70% for 2008, and 100% for 2009. The difference in the direct cost and the traditional way of calculating the pension apportionment will be absorbed by each church on the same rate.
 - (3) The Council on Finance and Administration joins with the Board of Pension and Health Benefits to jointly propose changes in the funding patterns of the Direct Cost for pastors' insurance and pension funds: Beginning in 2007 with the inception of the new Clergy Retirement Security Program (CRSP), the pension cost and insurance cost for clergy are being invoiced directly to the local church in a monthly statement. The pension cost will continue to be phased in according to the funding paradigm approved in 2004; however, it will be shown in a monthly statement rather than as an apportioned fund.
2. That the following policy be approved and observed:

At the beginning of the calendar year, the Council on Finance and Administration shall determine which portions of the Conference Ministry FairShare Askings are "fixed costs" (salaries, benefits, etc.) and shall thus be authorized to be paid at 100% of the approved budget. On the basis of prior-year receipts to these funds and the acceptance reports from the charge conferences, the council shall then determine a percentage of the approved budget to be authorized for expenditure in the remaining items of each budget, so that expenditures shall not exceed income.

 - a. The Conference Operating Costs are "fixed costs," consisting primarily of salaries, benefits, and direct operating costs. Each church, therefore, is encouraged to support these items at 100% of the apportioned amount.
 - b. The churches are requested to make payments thereon aggregately, with the understanding that the conference treasurer will allocate the payment according to the appropriate percentage due it according to the charge conference acceptance sheet.
 - c. Insurance and pension costs are to be sent to the local church in a monthly invoice.
3. That an Unrestricted Fund Balance Account be maintained by the annual conference at a level of 20% of the current total of the Conference Operating Costs and Conference Ministry FairShare Askings and that any undesignated interest income plus unused balances in budget accounts be transferred to the undesignated fund balance at the end of the fiscal year. Reserves are created by earnings, while budget amounts are wholly designated for ministries.

4. That all apportioned funds, FairShare Askings, and pension and health benefits costs, both receipts and disbursements, be managed through the office of the conference treasurer and that all boards, agencies, committees, and commissions use the conference treasurer as fiscal agent.
5. That the group medical insurance plan be continued and that all churches be asked to participate through the payment of premiums through the office of the conference treasurer.
6. That local churches be reminded that the discontinuance of prior claims funding, effective January 1, 2007, for the Equitable Compensation Fund, Pension and Benefits Fund, Episcopal Fund, and District Superintendents' Fund does not relieve the churches from their obligation to observe the rule of proportional payment (§§ 621 and 638.4, 2004 *Discipline*), and that ¶ 638.4(c) be observed by the statistician in reporting apportionments and payments to the Pension and Benefits Fund.
7. That, for 2008 and beyond, the salary of district superintendents be set by the following formula: The Conference Average Compensation (CAC), as calculated by the General Board of Pension and Health Benefits, for the most recent year for which data are available, times 1.47. On the basis of this formula, and with the 2008 CAC at \$62,827, the salary of the district superintendents for 2008 shall be set at \$92,356.
8. That the salaries of the bishop's assistant; the conference director of connectional ministries; the conference treasurer-director of administrative services; and, through June 30, 2008, the conference secretary-ordained ministry registrar be the compensation level of the district superintendents, plus a \$3,000 utilities allowance. All of the conference clergy staff will receive additional compensation in varying amounts not to exceed \$17,000 as a portion of the housing allowance described in proposal 9 of this report.
9. That the amount of compensation designated as housing allowance for ordained staff members and district superintendents of the conference be set by an annual resolution of the conference Council on Finance and Administration after consideration of a statement of amounts to be used during the year.
10. That church-related travel expenses of all members of conference boards, agencies, committees, and commissions; conference staff; district superintendents; and local church clergy be paid by voucher on a mileage basis at the amount allowed by the Internal Revenue Service. This will be considered as a church-related business item and will not be factored into any compensation package by the Cabinet.
11. That the governing boards of Aldersgate United Methodist Retirement Community, Inc. (Epworth Place and Asbury Care Center); Arbor Acres United Methodist Retirement Community, Inc.; Givens Estates United Methodist Retirement Community, Inc.; The Children's Home, Inc.; UMAR-WNC, Inc.; The United Methodist Foundation of Western North Carolina, Inc.; Camp Tekoa; Bennett College for Women; Brevard College; Greensboro College; High Point University; Pfeiffer University; the Western North Carolina Conference Brotherhood/Sisterhood; the Western North Carolina Conference Historical Society; approved counseling centers of the conference; and Disciple Bible Outreach Ministry be granted the privilege of soliciting and receiving funds from churches, individuals, and other sources (but not from conference-wide offerings except as indicated in the list which follows) in keeping with *The Book of Discipline*; that two conference-wide capital campaigns, the Bishop's Initiative for Africa University and The Children's Home capital campaign, 2008-09, be approved for 2008; and that the following, and only the following, conference-wide offerings be approved for 2008:

<i>Offering</i>	<i>Authorized by</i>
Human Relations Day	General Conference
UMAR Sunday	Annual Conference
One Great Hour of Sharing	General Conference
Native American Awareness	General Conference
Golden Cross	General/Annual Conferences
Medical Mission Teams	Annual Conference
Mother's Day (Aldersgate, Arbor Acres, Givens)	Annual Conference
Disciple Bible Outreach	Annual Conference
Project AGAPE	Annual Conference
Peace with Justice	General Conference
Children's Home Sunday	Annual Conference
World Communion	General Conference
United Methodist Student Day	General Conference
12. That funds appropriated for Aldersgate United Methodist Retirement Community, Inc. (Epworth Place and Asbury Care Center); Arbor Acres United Methodist Retirement Community, Inc.; and Givens Estates United Methodist Retirement Community, Inc., be used exclusively for supplementary care for members of United Methodist churches of the Western North Carolina Conference. Any local church wishing to give to any of these agencies funds in excess of the amount apportioned may do so by forwarding such funds to the conference treasurer with proper advisement as to their disbursement, or by direct giving to the appropriate agency.
13. That clergy be reimbursed for moving expenses in the following manner, effective upon adjournment of the 2007 conference session:
 - a. IN-CONFERENCE MOVES: The conference shall pay \$500, plus \$2.50 per mile, on those moves which are required as pastors are moved from one appointment to a new appointment, on a one-way basis.

- b. MOVES INTO THE CONFERENCE: The conference shall pay on the same basis as in item 13a above. The moving allowance will apply to the number of miles on the most direct route traveled from the conference boundary to the pastoral appointment.
 - c. MOVING AT RETIREMENT: Retiring clergy, surviving spouses of active clergy who died during the year, and clergy who go on incapacity leave during the year shall receive a moving allowance of \$750, plus \$2.50 per mile, from the pastoral appointment to the retirement residence or the conference boundary. A retiree who moves to a parsonage and serves a pastorate in retirement is eligible for an in-conference moving allowance upon approval of the district superintendent.
 - d. MOVES OUT OF THE CONFERENCE (moving to another conference, withdrawing from conference membership, leave of absence, etc.): No allowance will be paid.
 - e. SABBATICAL LEAVE: No allowance is granted when the leave begins; however, an allowance will be given when the leave is completed and the clergy person is again available for appointment by the bishop. The amount will be consistent with items 13a and 13b above.
 - f. In many instances, the moving allowance will not cover the total expense of the move. This reimbursement is given to help with the over-the-road cost of the move. Each church/charge receiving a new pastor is strongly urged to pay any out-of-pocket expenses incurred by the new pastor as a result of the move. The district superintendent will negotiate the request with the church/charge well in advance of moving day.
 - g. The district superintendent is asked to make a very special appeal that each church/charge be especially sensitive to both parsonage families during this stressful time. The appeal should include assistance with meals, packing, unpacking, loading, and unloading where helpful and appropriate for the parsonage family.
14. That the total 2007 compensation of conference clergy in appointments extending the ministry of the church and beyond the local church and the total current compensation as of July 1, 2008, of all clergy appointed to local churches of the conference be published in the 2008 Journal.
 15. That the president, vice-president, and secretary of the conference Council on Finance and Administration, the conference treasurer-director of administrative services, a Cabinet representative, and one lay member of the CFA constitute the executive committee of the conference Council on Finance and Administration.
 16. That the Council on Finance and Administration be authorized to appoint a conference auditor.
 17. That each local church make a very special effort to undergird the meal, transportation, and lodging expenses of annual conference members in attending annual conference. The district superintendents are asked to encourage such support at each charge conference. The conference per diem for 2008 shall be set at \$34.00 per day.
 18. That conference agencies receiving funds from the Conference Benevolences Fund or the Conference Support and Administration Fund not be permitted to carry over unspent funds from one conference year to another unless specifically authorized by the Council on Finance and Administration. Agencies receiving funds from sources other than apportioned funds may carry over such unspent funds into the next year.
 19. That 3:00 P.M., Friday, January 11, 2008, be the cutoff time by which all payments from local churches must be in the office of the conference treasurer in order to be applied to the 2007 year.
 20. That each conference board, agency, or institution receiving or disbursing funds not managed by the conference treasurer maintain adequate financial records and prepare and submit annual audit reports to the conference treasurer and the conference Council on Finance and Administration. All treasurers should be properly bonded.
 21. That the conference fiscal year begin on January 1, 2008, and end on December 31, 2008.
 22. That the conference Council on Finance and Administration be responsible for designating depositories for conference funds.
 23. That the ministerial moving expenditures be supplemented by funds from the Unrestricted Fund Balance Account in the event those expenditures exceed the budgeted amount.

James C. Windham, Jr., *President*