



Evangelical  
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Church



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The CIT News is published by the CIT Team of the Evangelical Congregational Church so the members of National Conference can know about our progress in discovering the Lord's leading.

## Financial Projections

The adoption of the recommendations from the Covenant Implantation Team and the EC Benefits Corporation proposal (structural, affiliate funding, retiree health insurance) should result in a significant reduction in the ministry fund asking from the local church and a reduction in denominational expenses.

The projected reduction in the ministry fund asking from the local church should be around 40% resulting in a decrease in National Conference expenses by over \$670,000 in five years, by 2020.

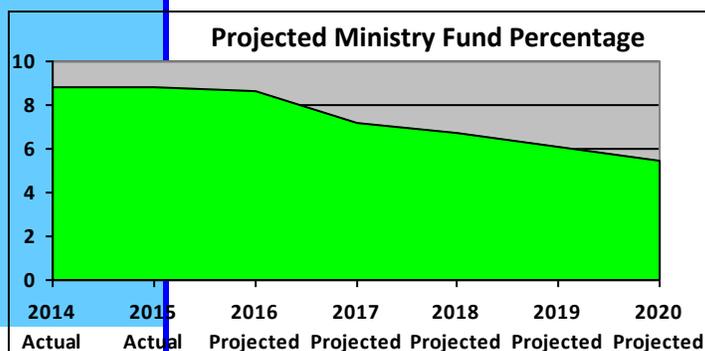
The amount of the ministry fund asking from the local church is a function of two inputs; local church revenue and denominational expenses. The members of the National Conference and denominational leadership can mostly control denominational expenses. Local church income is the unknown and uncontrollable variable.

The CIT financial projections assume an aggressive decrease in local church in-

come. If local church income does not decrease as much as projected, the amount of ministry fund asking per church would be lower. However, if local church income decreases further than anticipated, the amount of ministry fund asking on a per church basis will be higher. Because of the variability of local church income a better financial analysis of the proposed changes can be done by focusing on the expense reductions.

The simplest expense reductions to explain are in the affiliate and retiree health insurance funding. Assuming the adoption of the proposed changes, by January 1, 2020 all mandated denominational financial support of Evangelical Seminary, Twin Pines Camp, Camp ECCO and the EC Historical Society will have ceased, eliminating \$304,000 in annual expenses. The Covenant Implementation Team encourages local churches to voluntarily increase their support of these organizations. If the members of the EC Benefits Corporation approve the elimination of retiree health insurance funding, the cost saving to the denomination will be approximately \$237,000. The elimination of this benefit

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## Financial Projections (continued)

could cause a financial burden to be placed on some EC retirees. The EC Benefits Corporation is working on a plan to utilize the Manna Fund to assist retirees with healthcare expenses. These two expense reductions are about 81% of the total projected expense reductions that will result from the Covenant implementation. These expense reductions, if approved, will begin on January 1, 2016 and follow a 20% per year reduction schedule eliminating all payments by January 1, 2020.

The remaining sections of the Covenant implementation plan—elimination of the full-time Conference Minister positions, the hiring of part-time District Field Directors and Associate positions is more financially complex. Although these changes will not provide as much substantial cost savings as the previous changes, they will be significant for activating, directing, supporting and celebrating the mission of the local church.

Three full-time Conference Minister positions are being eliminated saving \$311,000. Replacing the Conference Min-

isters will be thirteen part-time District Field Directors and two new Associates, who will be funded by ministry funds; adding \$189,000 in costs. The implementation of these changes will produce annual net savings of around \$122,000. Two other Associate positions will not be funded by ministry funds. The Kingdom Extension Associate position will be funded from the Kingdom Extension Community and the Global Ministries Associate position is funded by the Global Ministries Community. The transition for all of the new positions is scheduled to occur on July 1, 2016.

The financial projections include some anticipated transition costs with these changes. Although we do not anticipate that there will be significant transition costs; it is better to plan for a worse outcome than anticipated.

Financially the proposed Covenant implementation plan allows flexibility for growth and decline in the EC Church. For example, the District Field Directors are scheduled to be paid a fixed amount of \$1,000

per church in their district. If a church closes, that Field Director's salary would be adjusted to reflect one less church he is serving. The Associate positions are bi-annual appointments that give the Bishop, in consultation with the NMT, the opportunity to adjust a salary, up or down, during the re-appointment process if the Associate is working over or under the expected hours.

The Finance Committee will continue the annual budget preparation process while maintaining the authority to adjust denominational expenses as necessary. The operating budget will be approved by the National Ministry Team.

The CIT believes that the financial projections presented are reasonable but also acknowledges that this is a new operating paradigm which will bring some uncertainty. The diminishing financial sustainability of the current ministry fund model was the main driver for undergoing a redesign of the EC Church. Hopefully, with these corrections, the finances will not continue to be the driving force. A positive change to equip and serve the local church is the focus of the restructuring efforts; however, it should be understood that further adjustments to the financial model may be necessary to achieve that goal.

**National Conference Ministry Fund Revenue Required**

