

September 26, 2017

To: Wardens, Treasurers and Convention Delegates

From: Diocesan Council

CC: Trustees, Standing Committee, Commission on Ministry, HR Committee, Diocesan Staff

RE: Proposed 2018 Diocesan Budget

Since Council distributed the 1<sup>st</sup> Draft of the 2018 Budget at the end of May, the Budget Committee had the opportunity to attend several District Meetings to discuss priorities and listen to feedback. In addition, the Mission Partnership and Congregational Development committees met to review over 50 grant requests from our parishes and mission partners. We were also most encouraged to have over 60 parish leaders, from 18 congregations and 4 Dioceses, participate in our first year of the *College for Congregational Development*.

After input from the June District meetings, recommendations from the committees of Council and re-thinking our investments in both communications and youth leadership development, we've made changes to the Proposed 2018 Budget, which are detailed in this letter.

**Please plan to attend one of the two Pre-Convention Meetings** (10/11 @ St. Peter's, Dansville OR 10/12 at St. Peter's, Henrietta) for a review of this proposed budget, our plans for convention and an opportunity to meet the nominees for elected offices.

#### **2018 BUDGETED INCOME:**

There were no changes to the total income budgeted in our 1<sup>st</sup> DRAFT Budget. 2018 Parish Apportionments of \$995,000 are up 2% and will provide 49% of our operating income. Our apportionment rate structure and the "caps" limiting annual changes to no more than +/- 5%, remain unchanged (EXHIBIT 1).

The Trustees of the Diocese of Rochester had already approved a draw from investments of \$1,027,000, to fund the remaining 51% of our 2018 Diocesan Budget. This draw is equal to 5.2% of the audited, trailing 5-year average balance and includes interest on our loan portfolio. Trustees continue to work with Council to understand the budget impact of gradually reducing our draw to a more sustainable level over the next several years (EXHIBIT 2).

#### **2018 BUDGETED EXPENDITURES:**

The combination of apportionment and investment income provide just over \$2 M. of funding for 2018. After six years of reducing our administrative expenses by over \$550,000 (33%), we've now stabilized the Diocesan Budget at that \$2 M. level, including approximately \$900,000 of program expenses and \$1.1 M of administrative expenses (EXHIBITS 3-5).

**CHANGES TO THE 1<sup>st</sup> DRAFT BUDGET:** This month, Council approved several changes to increase funding for Congregational Development grants, increase our investment in communications and adjust our approach to youth leadership development. These changes are explained below, by expense category (EXHIBITS 6 -8) and detailed by line item in EXHIBITS 9-17:

**CONGREGATIONAL DEVELOPMENT (+ \$25,000):** Funding was increased to \$270,000 as participation has gone from 12 parishes in 2016, to 13-15 this year and 17 potential requests for 2018. The unallocated portion available for additional new or renewal grants is \$73,500.

**MISSION PARTNERSHIP (- \$39,475):** Budgeted grants were reduced to \$170,525 as the number of parish grant requests fell 20% this year and new “caps” on the amount and duration of any one grant, reduced the total dollars requested by 23%. In addition, the \$12,000 previously budgeted for Parish Youth Grants was moved to Youth Programs, under Leadership Development Expenses.

**D&FMS ASKING (-\$2,000):** The Diocese has consistently increased our contribution to the Domestic & Foreign Missionary Society (D&FMS) for the last 5 years (from \$194,000 in 2012 to \$238,000 in 2017), as we continue to live into our commitment to meet the “full asking”. The \$248,000 contribution proposed for 2018 represents another step towards the “15% Commitment by 2019”, approved at the last General Convention.

**HEALTH BENEFITS (- \$1,500):** Diocesan contributions to the Health Reimbursement Accounts (HRA’s) for eligible retirees remains at \$900 per eligible participant. The updated estimate of participants for 2018 resulted in a 2% reduction.

**LEADERSHIP DEVELOPMENT (+ \$9,000):** The \$12,000 of additional Youth funding moved from Mission Partnership was partially off-set by lower expected costs for the 2<sup>nd</sup> year of the College for Congregational Development and slightly lower budget for other Workshops, Programs & Events.

**GOVERNANCE (- \$3,250):** Lower estimates for Diocesan Convention, Province II Synod and General Convention reduced the total budget to \$106,000, of which \$33,000 is budgeted to attend the General Convention & Province II meetings that occur every three years.

**STAFF (+ \$21,225):** Increased investment in our Communications role and higher expenses for health coverage, were partially off-set by the Bishop’s decision to defer his sabbatical to 2019.

**OFFICE EXPENSE (- \$8,000):** Lower estimates for both IT support and telecommunications reduced the total budget to \$86,000. This expenditure is \$51,000 less than we budgeted for 2017 and is attributable to our move to new office space at St. Peter’s, Henrietta.

**NON-OPERATING DRAWS & EXPENDITURES (- \$1,000):** A lower estimate for office equipment in 2018 results in a total budget of \$4,000. With the sale of our former office at 935 East Avenue in January, our total capital budget for 2018 will be almost \$29,000 lower than we budgeted in 2017.

While the Diocesan Budget approved at Convention is a significant milestone in our annual governance process, it still represents only a “snapshot” in time. Between now and then, things continue to evolve and today’s plans, estimates and projections will no longer be “current”. Which is why all throughout the year, Diocesan Council members work with the Bishop, Staff and Trustees to continuously monitor our progress, adjust priorities and allocate resources *to develop congregations; spiritually, missionally and numerically.*

Thank you for your faithful commitment and support.