

Thursday, June 5, 2014

To: Wardens, Treasurers and Convention Delegates

From: Budget Committee of Council

CC: Diocesan Council, Trustees, Standing Committee, Commission on Ministry, District Deans, HR Committee

RE: First Draft 2015 Diocesan Budget

Our mission statement, “**Grow and develop congregations spiritually, numerically and in missional leadership**”, is the fundamental guidepost that Council, the Bishop and Staff use to align our resources for growth. The two primary committees of Council, Congregational Development Partnership and Mission Grants, continue to provide the focus for most of the work of Council. This year, Council formed a new Budget Committee and also worked with the HR Committee to form a Health Insurance Policy Task Force. These two groups are helping us address two of the most critical resource areas in our budget: *Staff and Benefits*. Together, we share this FIRST DRAFT of our 2015 Diocesan Budget for your consideration and feedback.

INCOME: For many years our budget has relied on two sources of income: Apportionment and Investments. Faithful stewardship means managing these income sources for long term growth. It also means that we may need to begin exploring development of new resources to fund growth in areas like “missional leadership”.

APPORTIONMENT is based on Parish Operating Income, which has begun growing modestly the last few years after the declines of the “great recession”. In order to ease pressure on parish budgets, Council has gradually reduced apportionments the last several years. Even if Parish Operating Income remains flat this year and next, the “Average Rate” of apportionment should continue to fall.

	Parish Operating Income	Parish Apportionment	Average Rate
YEAR			
2010	\$7,177,547	\$970,609	13.5%
2011	\$7,219,693	\$1,016,685	14.1%
2012	\$7,406,378	\$1,014,981	13.7%
2013	\$7,567,327	\$1,008,258	13.3%
2014	\$7,567,327	\$991,082	13.1%
2015	\$7,567,327	\$969,502	12.8%

There are no proposed changes to our apportionment rate structure and we continue to limit parish increases and decreases to no more than 5%, from one year to the next. Over 80% of our parishes report income of less than \$250,000 and have apportionment rates between 9-13%.

For 2015, Council is proposing that we further limit the impact of apportionment on parishes where recent declines in operating income have far outpaced the reductions in apportionment. The effect of this new “cap” is detailed in [EXHIBIT #1](#), along with a detailed list of parish apportionments in [EXHIBIT #2](#).

INVESTMENT returns over the last five years have been very strong. However, the growth in Diocesan investments has been limited by low interest rates on our parish loans and reduced distributions from trust funds, resulting in larger draws from our liquid investments. For 2015, our Trustees have authorized a draw on investments (including loan interest) of \$1.281 M., as we gradually reduce our draw to a more sustainable level of approximately 5% over the next few years ([EXHIBIT #3](#)).

EXPENSES: The combined impact of lower apportionment and reducing our “draw”, means that operating expenditures must be reduced by about 5% in 2015 (\$124,000). Our first draft budget has a deficit of almost \$80,000, as cost reductions of over \$95,000 were off-set by projected cost increases for benefits and staff. A summary of the First Draft Budget, along with detail by expense category, are provided in [EXHIBIT #4 – 10](#).

CONGREGATIONAL DEVELOPMENT: The new process for establishing grants that are designed to decline over time, combined with the annual review process, have enabled a significant reduction in expense for 2015. Most parishes are transitioning successfully into greater self-sufficiency over time. As of the May Council meeting, several parishes had not yet completed the review process in time to be included in the first draft budget and their grants are currently noted as “To Be Determined” (TBD). Additional funds have been added to the “NEW Grants” line item to fund potential renewals of these grants for 2015.

MISSION GRANTS: The committee has just completed a review of our various types of grants and developed new criteria to categorize our grants in a more consistent fashion. In 2015 the Diocese will fund three types of mission grants: *Parish* (funding provided directly to parishes through an annual application process), *Partnership* (funding provided directly to an outside organization that is engaged in mission within the Diocese), and *District* (funds awarded by Districts using their own application process and criteria). Since all grants will require new applications for 2015, the budget is currently allocated into these three categories - with no specific line item allocations, pending review of all applications.

The Budget Committee and Health Insurance Policy Task Force will be working through the summer to put forth recommendations to Council to close our deficit by September. However, we are communicating this first draft budget now in order to gather critical feedback that we can incorporate into the final draft budget that Council will vote on in September and propose to Convention for approval in November.

COMMUNICATIONS & FEEDBACK: Please take this opportunity to review this first draft budget, and provide your thoughts by attending District meetings or through your elected Council members and respective committees. A list of the Council, Task Force and Committee members is also available on the [Diocesan Website](#), as are all budget related documents. Updates will be announced via e-news and posted to our website. We are also looking at ways to provide a “virtual meeting” for those unable to attend a District meeting and will communicate details shortly.

This first draft budget is a “snap shot” of work in progress. As we work through committee recommendations and incorporate feedback from various leaders and stakeholders, there will be changes. Our plan is to have a final draft budget by September that is both balanced (i.e. close the current deficit) and better aligned with our mission.

Thank you in advance for your faithful commitment and support.