

Thursday, May 25th, 2017

To: Wardens, Treasurers and Convention Delegates
From: Diocesan Council
CC: Trustees, Standing Committee, Commission on Ministry, District Deans, HR Committee
RE: First Draft 2018 Diocesan Budget

Attached please find the first draft of the 2018 Diocesan Budget for your consideration and feedback. Diocesan Council distributes this first draft at the end of May in preparation for June District Meetings. These meetings are the best opportunity for *Convention Delegates* and lay *Parish Leaders* to provide Council with feedback before we finalize the proposed budget in September. The Diocesan budget process, time-line and District Meeting locations are detailed in EXHIBIT #1.

Sharing budget plans and priorities at these District Meetings allows us to better direct our financial resources to “*Grow and develop congregations spiritually, numerically and in missional leadership.*” So, please take a few minutes to review this DRAFT budget, discuss with your parish leaders, and share your thoughts at District meetings or directly with Council members. A list of the Diocesan Council and Committee members is provided on the Diocesan Website, as are all budget related documents. Updates will be announced via E-News and posted to the website.

2018 INCOME FROM APPORTIONMENT of \$995,160 is based on the Operating Income reported by our churches in their 2016 Parochial Reports, and provides 49% of the total funding for the Diocesan Budget. Parish Operating Income increased 2% last year to almost \$7.9 M. Using our current apportionment rate structure (EXHIBIT #2), the projected average rate of apportionment for 2018 remains about 12.5% of operating income. Council continues to limit the increase or decrease for all churches to a maximum of 5% in any given year. A list of all Parish Apportionments is provided in EXHIBIT #12.

	Parish Operating Income	Growth (%)	Parish Apportionment	Parish Average Rate
YEAR				
2011	\$7,263,938	1%	\$1,016,685	14.0%
2012	\$7,440,889	2%	\$1,014,981	13.6%
2013	\$7,607,125	2%	\$1,008,258	13.3%
2014	\$7,542,388	-1%	\$991,082	13.1%
2015	\$7,750,062	3%	\$971,203	12.5%
2016	\$7,873,965	2%	\$973,288	12.4%
2017	\$7,952,705	1%	\$972,303	12.2%
2018	\$8,032,232	1%	\$995,160	12.4%

INCOME FROM INVESTMENTS: In March, our Diocesan Trustees approved a draw from investments of \$1,027,000 to fund 51% of the 2018 Diocesan Budget. This draw is equal to 5.26% of the trailing five-year average balance and includes the interest income from our loan portfolio. We continue to stay on course to gradually reduce our draw to a more sustainable level over the next few years (EXHIBIT #3).

EXPENSES: Over the last six years, we’ve undertaken a very deliberate process to streamline our diocesan operations and reduce expenditures. Over the next few years, we expect annual expenditures to remain “flat” at approximately \$2 M. (EXHIBIT #4). Our first step in developing the 2018 expense budget was a three-year projection based on recent history and future cost assumptions. That initial baseline estimate resulted in a deficit of almost \$80,000, which Council has now balanced in the form of the 1st Draft Budget (summarized in EXHIBIT #5 and detailed in EXHIBITS # 6-8).

CONGREGATIONAL DEVELOPMENT PARTNERSHIP (CDP): The CDP committee is currently reviewing both renewal and new grant requests. Therefore, all CDP grants for 2018 are currently noted as “To Be Determined” (TBD) with total funding allocated to a single budget line item. Overall funding for CDP grants was decreased about 9% to help balance the budget.

MISSION PARTNERSHIP: The committee will be reviewing mission grant requests in the coming weeks. Since all grants require new applications for 2018, the budget is currently allocated to five main categories: Partner & Parish Mission Grants, Parish Youth Grants, Sustainable Development Grants and District Grants. Funding for specific mission programs is still pending review of all applications. Allocations may change based on feedback & requests. Overall funding was decreased about 9% to help balance the budget.

CONTRIBUTION TO THE D&FMS ASKING: The 2015 General Convention resolved to reduce Diocesan contributions to The Church from a 19% “Asking”, to a 15% “Commitment” by 2019. However, our contribution will need to *increase* by \$40,000 over the next two years because for many years our Diocese paid less than the full asking. In 2012, we contributed \$194,000 (approximately 8% Asking) and committed to gradually increase our contributions towards the full asking (beginning in 2013). For 2018, the proposed contribution has been increased by \$12,000 to \$250,000 (14% Asking).

HEALTH BENEFITS: Proposed funding of retiree Health Reimbursement Accounts (HRA) remains at \$900 per eligible retiree for 2018. With an estimated 64 participants and \$2,400 in administrative fees, the total cost of the current HRA program would be \$60,000.

LEADERSHIP DEVELOPMENT: We are encouraged by the enthusiasm of our parish leaders and neighboring Dioceses who have committed to participate in the first session of the College for Congregational Development this July. Our estimate to run the 2nd year of the program in 2018, requires a net investment of about \$50,000 (compared to the initial estimate of \$65,000 for 2017). Funding has also been adjusted in other areas of Leadership Development (including Workshops and Continuing Education Grants) to reflect recent trends and maximize opportunities for growth and development.

GOVERNANCE: The 2018 General Convention (including the related Province II Synod meeting) will increase expenses by \$36,000. We expect to reduce travel costs for these events by 10% compared to the last General Convention in 2015. Estimates for both audit and legal fees have also been updated.

STAFF: Based on our 2017 budgeted staffing levels; increases in salaries & benefits (3.0%), along with the cost of sabbatical (\$7,500, every five years), car allowance (\$7,200, in-lieu of purchasing a Diocesan owned vehicle) and travel expenses, will increase total staffing expense by \$38,000. EXHIBITS # 9-11 provide details on staff structure, salary ranges, and total compensation by position.

OFFICE EXPENSE: The sale of our Diocesan offices at 935 East Avenue and resulting move to Henrietta will substantially reduce office expenditures next year. For 2018, we’ve budgeted \$94,000 in office expense, compared to an average of \$145,000 in the previous five years. In addition, we’ll no longer need to budget approximately \$30,000 for annual capital expenditures.

This first draft budget is a “snapshot” of our work as of the May 16th Council meeting. As we move forward to include recommendations and feedback, there will be changes. Our goal is to provide you with a proposed budget in September that supports congregational growth, and is focused on: *building relationships, leadership development and thoughtful stewardship.*

Thank you as always for your faithful commitment and support.