

September 24<sup>th</sup>, 2018

To: Wardens, Treasurers and Convention Delegates

From: Diocesan Council

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

RE: Proposed 2019 Diocesan Budget & Apportionment

After distributing the 1<sup>st</sup> Draft of the 2019 Budget at the end of May, members of the Budget Committee attended both of our June, Diocesan Wide Meetings to discuss priorities and listen to feedback. In addition, the Mission Partnership and Congregational Development grant committees of Council reviewed dozens of grant requests from our churches and mission partners.

With this feedback from the June meetings, recommendations from the committees of Council and adjustments to our investments in *Leadership Development*, we've eliminated the projected \$38,000 deficit and can now put forth a balanced budget for 2019.

**Please plan to attend one of the two Pre-Convention Meetings (October 2<sup>nd</sup> at St. Peter's, Henrietta OR October 3<sup>rd</sup> at St. Peter's, Dansville)** for a review of this proposed budget, our plans for Convention and meet nominees for elected offices.

#### **CHANGES TO 2019 OPERATING INCOME:**

There are no changes to the previously proposed *Apportionment* and *Draw from Investments*. We have increased *Other Income* by \$14,900, driven by a \$4,900 adjustment in the timing of grants for Deaf Ministry (now \$52,500 Total) and taking a first step towards a Bishop's Appeal (\$10,000). After discussions with two other dioceses that have run successful annual appeals for many years, we think the time is right to take a first step in this direction.

Along with these modest changes to *Other Income*, apportionment of \$1,014,336 and a draw from Investments of \$1,010,000 (5% of the trailing 5-Year Average) will fund total expenditures of almost \$2,087,000 in 2019 (EXHIBIT # 1). After seven years of reducing administrative costs, we now expect total budget expenditures to grow 1-2% per year from 2017 to 2021 (EXHIBIT #2).

#### **A reminder about 2019 APPORTIONMENT:**

At last year's Convention, our Bishop expressed the value of moving our parish apportionment towards a 10% Tithe. In addition, Council has been working on simplifying our current formula, to minimize the changes in apportionment that parishes experience when moving from one rate range to another. Given last year's 6% increase in Parish Operating Income, this issue may be a more problematic over the next couple of years.

Taking all of these factors into consideration, it makes sense to simplify our current apportionment formula - in a way that is grounded in a 10% Tithe and which minimizes future volatility.

For 2019, our proposed apportionment formula will be:

- **10% on the first \$100,000** of Parish Operating Income, **plus 15.5% on any income above \$100,000**
- Any increase or decrease in Parish apportionment is limited to a **maximum of 3%**.

Using this approach reduces total 2019 apportionment to the Diocese by \$13,000 to **\$1,014,366**. It also eliminates exaggerated year-to-year swings in parish apportionment and can easily be adjusted in future years to move more of our parishes closer to a 10% Tithe. (EXHIBITS A1- A5). A list of all 2019 Parish Apportionments is provided in EXHIBIT A6).

## **CHANGES TO 2019 OPERATING EXPENSES:**

The most significant change in proposed expenses for 2019 is in the area of *Leadership Development*, with our investment in Deaf Campus Ministry at RIT/NTID (EXHIBIT #3). This investment is largely funded in 2019 by two grants from the Episcopal Conference for the Deaf (ECD) and the Episcopal Church Young Adult Campus Ministry, totaling \$52,500. Our total *Program* expenses will increase 8% to \$962,000 and *Administrative* expenses will decrease slightly (< 1%) to \$1,121,000 (EXHIBIT #4).

**Changes to Operating Expenses** are explained below and detailed by line item in EXHIBITS # 5-9:

- **CONGREGATIONAL DEVELOPMENT PARTNERSHIP (CDP):** The total amount budgeted remains at \$270,000, with \$74,000 unallocated and available for additional grants.
- **MISSION PARTNERSHIP:** The committee approved 39 grants for 2019. The total amount budgeted increased due to \$5,000 of funding for American Sign Language interpreters.
- **CONTRIBUTION TO D&FMS:** Our contribution to the Domestic & Foreign Missionary Society will increase to \$269,150, an increase of 9% compared to 2018. Next year will be the first time in 17 years that we've made our full contribution to The Episcopal Church.
- **HEALTH BENEFITS:** Proposed funding of retiree Health Reimbursement Accounts (HRA) remains the same at \$900 per eligible retiree for 2019.
- **LEADERSHIP DEVELOPMENT:** The decrease of almost \$17,000 from the 1<sup>st</sup> DRAFT 2019 Budget, is due primarily to discontinuing the role of Leadership Development Coordinator plus; adjustments to Deaf Campus Ministry, youth programs and seminarian scholarships. The total budget for Leadership Development will increase by 35% (vs. 2018 Budget) driven by the impact of Deaf Campus Ministry.
- **GOVERNANCE:** The absence of General Convention and Province II Synod will reduce costs by almost \$33,000 compared to 2018 Budget. Reductions in committee budgets to better reflect actual spending, combined with keeping our Province II triennium assessment "flat" (\$10,000 over 3 years) and lower legal & audit fees, should help to further reduce these costs.
- **STAFF:** Total budget is down slightly from the 1<sup>st</sup> DRAFT budget (\$464). Based on: Level staffing, increases in salaries & benefits (2.4%), along with the cost of sabbatical (\$7,500, deferred from 2018) and reduced travel expenses, total staffing expense will increase almost 3% vs. 2018. EXHIBITS # S1-S3 provide details on staff structure, salary ranges, and total compensation by position.
- **OFFICE EXPENSE:** Total costs are down \$2,000 from the 1<sup>st</sup> DRAFT Budget and down \$1,000 vs. 2018 Budget, due to small adjustments to office expenses, IT maintenance & leases.

Approving our budget and apportionment at Convention is a significant milestone in our annual governance process. We also acknowledge that budgets are simply a current estimate of our plans to help *congregations grow; spiritually, missionally and numerically*. And, since growth requires a certain measure of experimentation and innovation; we expect new programs to evolve and our current plans and projections will change. This is why we work throughout the year with the Bishop, Staff, Treasurers and Trustees to monitor progress, adjust priorities and allocate resources accordingly.

Thank you for your continued faithful commitment and support.