

9/24/2019

To: Wardens, Treasurers and Convention Delegates
From: Diocesan Council
CC: Trustees, Standing Committee, Commission on Ministry, HR Committee, Deans & Staff RE:
Proposed 2020 Diocesan Budget & Apportionment

The 1st Draft of the 2020 Budget was distributed at the end of May and then members of our Budget Committee reviewed the budget at our Diocesan Wide Meetings in early June, discussing priorities and listening to feedback. In addition, the Mission Partnership and Congregational Development Partnership committees of Council have been busy reviewed dozens of grant requests from our churches and mission partners over the past three months.

With this feedback, recommendations from the committees of Council and a new clergy leadership staffing structure announced by our Bishop this month, we've made significant adjustments to the proposed budget that reflect these changes, along with closing the \$25,000 deficit in the 1st Draft Budget.

Please plan to attend one of the two Pre-Convention Meetings (September 30th at St. Peter's, Henrietta OR October 1st at St. Thomas', Bath) to review this proposed budget, our plans for Convention and meet our nominees for elected offices.

2020 INCOME:

There are no changes to the proposed *Apportionment, Draw from Investments or Other Income* since the draft budget was presented last June. Both our apportionment and income drawn from investments, will be essentially "flat" for 2020 (compared to 2019) at about \$1.015 M. each, which combined with \$70,000 of Other Income (Grants & Bishop's Appeal), totals \$2.101 M.

The initial response to our Annual Bishop's Appeal, which launched in May, has been most encouraging. We expect continued growth of the Bishop's Appeal in the years ahead, allowing continued movement towards a 10% Tithe for Apportionment and consistent with prudent draws from our investments, as authorized by Trustees (EXHIBITS #1-2).

Last year we simplified the formula for apportionment to facilitate our move towards a 10% Tithe. Our intent is to gradually increase the *10% rate range* each year, so that over time, more of our churches contribute a flat 10% (EXHIBITS A1-A4).

For 2020, the proposed apportionment formula is:

- **10% on the first \$115,000** of Parish Operating Income (up from \$100,000 in 2019), **plus 15.5% on any income above \$115,000**
- Any increase or decrease in Parish apportionment will again be limited to a **maximum of 3%**.

Increasing the *10% rate range* by \$15,000, reduces apportionment by \$825 for churches with operating income over \$115,000 (before applying the *3% cap & floor*). A list of all 2020 Parish Apportionments is provided in EXHIBIT #12).

2020 OPERATING EXPENSE:

After several years of reducing administrative costs, we now expect total budget expenditures to grow 1- 2% per year from 2018 to 2022 (EXHIBIT #3). In total, our *Program* expenses (Grants for Congregational Development & Mission, contributions to the wider Church (D&FMS) and investments in Leadership Development) will increase to \$1,068,000 and our *Administrative* expenses (Retiree Health, Governance, Staff, & Office Expense) will decrease to \$978,000 (EXHIBIT #4), plus another \$55,000 for HRA contributions (Non-Operating).

The most significant changes to our operating expenses (EXHIBIT #5) are in the areas of:

- **HEALTH BENEFITS:** Funding of retiree Health Reimbursement Accounts (HRA's) of \$55,000, remains at \$900 per eligible retiree, but is moving to a designated fund overseen by Trustees and is no longer a part of the annual operating budget.
- **LEADERSHIP DEVELOPMENT:** The significant increase in funding is driven by our recent changes in *Clergy Leadership Structure* which account for 90% of the increase of almost \$128,000. These investments are focused on *Small Church Development, Liturgy, and Formation of Children, Youth and Young Adults*, as well as our ongoing work of *Discernment* and supporting our churches through *clergy Transitions*.
- **STAFF:** The change to our *Clergy Leadership Structure*, along with other staff changes, reduced our total investment in full-time, regular staff by \$172,000. EXHIBITS# S1-S4 provide details on staff structure, salary ranges, and total compensation by position.

Other Changes to Operating Expenses are noted below and detailed by line item in EXHIBITS #6-11:

- **CONGREGATIONAL DEVELOPMENT PARTNERSHIP (CDP):** The total budget is increased 4.5% to \$282,250, with \$136,000 unallocated, to fund six additional *Renewal* grants not yet finalized and leave additional funding available for *New* grants. Over the past five years we've had 12-15 congregations participating. In 2019-2020, we expect 16-19 participants.
- **MISSION PARTNERSHIP:** The committee approved 34 Parish & Partner grants totaling \$122,000, plus another \$15,000 of unallocated grant funding available for new outreach identified during the year. In addition, District Grants will be increased from \$4,000 to \$5,000 per district.
- **D&FMS CONTRIBUTION:** Our contribution to the *Domestic & Foreign Missionary Society* will increase by 7% to \$288,000 due to a similar increase in our Diocesan Operating Income for 2018.
- **GOVERNANCE:** Expenses will increase next year due to three *one-time* events: The first *Lambeth Conference* since 2008 (\$7,500), *Actuarial fees* to properly account for liabilities associated with post-retirement health benefits (\$5,000), *Parish Audit Fees* (\$5,000) and one ongoing change: Increase in *District Dean stipends* (\$4,500), which have not increased in nine years.
- **OFFICE EXPENSE:** Expenses will increase 6% compared to 2019 Budget but are "flat" compared to both our 2018 actual expenditures and current 2019 year-end estimate.

While budgets are an important part of our governance process, we recognize that they are simply a current quantification of our mission to help *congregations grow; spiritually*,

missionally, and numerically. And, since growth requires a certain measure of risk, experimentation and innovation; we expect new initiatives to evolve and our current plans and projections will evolve as well. This is why we continue to collaborate 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.