

May 26th, 2022

To: Convention Delegates, Wardens and Treasurers
From: Diocesan Council
CC: Trustees, Standing Committee, Commission on Ministry, HR Committee and Diocesan Staff
RE: 1st DRAFT 2023 Diocesan Budget

Attached please find the first draft of our 2023 Diocesan Budget & Apportionment, along with information regarding the role of Diocesan Council, the Budget Committee, and our budget process/timeline.

Please plan to join us for an online forum (via Zoom) on **Wednesday, June 8th at 5:30 PM** for a brief overview of the budget, as well as an opportunity to ask questions and provide feedback.

INCOME from Apportionment, Investments, and Other Income:

APPORTIONMENT: We continue to move our formula for apportionment towards the Biblical Tithe of 10%. Each year, we look to expand the 10% apportionment rate-range, gradually reducing the average apportionment towards a 10% Tithe (*EXHIBIT #1*).

For 2023, the proposed apportionment formula is:

- **10% on the first \$160,000** of Parish Operating Income, and **15.5%** on all income over **\$160,000**
- Any increase or decrease in Parish apportionment for 2023 is limited to a **maximum of 3%** of the Parish's 2022 apportionment unless the Parish qualifies for a cap on "Effective Rate".
- If a Parish experiences a substantial decrease in income, such that the *effective rate* of apportionment exceeds their *formula rate* by more than 3.0 percentage points, then apportionment is capped at the *formula rate* + 3 pts., but just for that year.

Total Apportionment for 2023 (\$992,163) is up about 0.5% from 2022 (\$986,857) (*EXHIBIT #2*), despite an 8.6% increase in Parish Operating Income in 2021. A list of all 2023 Parish Apportionments is provided in *EXHIBIT #12*.

INCOME FROM INVESTMENTS: In March, our Diocesan Trustees provided *preliminary* approval to draw \$949,300 to fund the 2023 Diocesan Operating Budget, plus another \$50,000, from designated funds overseen by Trustees, to cover post-retirement healthcare benefits for eligible retirees. These healthcare benefits include Health Reimbursement Accounts (HRA), funded at \$900 per eligible retiree.

The resulting \$999,300 draw is 4.4% of the trailing, 5-year average balance and includes the unrestricted interest income from our loan portfolio (*EXHIBIT #3*). We've worked closely with Trustees to establish a sustainable draw while also recognizing there are times when we may need additional resources.

OTHER INCOME: With the departure of our Missioner for the Deaf and Hard of Hearing in January, our grant from the Episcopal Conference for the deaf is currently suspended. The only other income we are planning on is an estimated \$20,000 from The Annual Bishop's Appeal, used to fund leadership development initiatives such as: Seminarian Scholarships, The College for Congregational Development, Deaf Ministry & Campus Ministry, as well as growing programs for Children, Youth and Young Adults.

EXPENSES: Over the past last eight years, our total expenditures averaged just over \$2M. With expected expenses for our bishop transition, additional requests for Congregational Development Grants

and higher inflation, it's likely that average expenditures over the next three years may be 5-7% higher (*EXHIBIT #4*).

Operating expenses for 2023 are currently estimated at \$2.066 M. (*EXHIBIT #5*), an increase of about \$23,000 (1%) compared to the 2022 Operating Budget. We currently have a projected Operating Deficit of approximately \$104,000 that we are working to close (*EXHIBIT #6*).

Our 2023 Operating Expenses are summarized by category below and detailed in *EXHIBITS # 7-11*.

- **CONGREGATIONAL DEVELOPMENT PARTNERSHIP (CDP):** The CDP Committee is currently reviewing renewal grant requests for 2023. With an expected 20% increase in the number of churches requesting grants, total funding was increased by 15% to \$350,000.
- **MISSION PARTNERSHIP:** The Mission Partnership Committee will be reviewing 2023 mission grant requests shortly. Total funding is currently estimated at \$175,000 – the same as 2022.
- **DOMESTIC & FOREIGN MISSIONARY SOCIETY (D&FMS):** Our contribution to D&FMS will increase by 6% next year (to \$283,700) due to higher Diocesan income reported for 2021.
- **LEADERSHIP DEVELOPMENT:** Funding was reduced by \$101,500, to \$184,350, due to the changes in deaf ministry and adjustments to the Diocesan Dean structure made last January. The Diocesan Dean structure for 2023 is still under consideration by the bishop.
- **GOVERNANCE:** Total expenditures are expected to increase by 48%, due to the estimated cost of our Bishop Transition (\$50,000), Ministry of the Bishop (\$25,000) to deal with Title IV matters and expected return to an in-person diocesan convention (\$11,000), more than off-setting the drop resulting from not having a General Convention to attend (\$35,000).
- **STAFF:** Based on current staffing levels, total staffing expense will increase by about 1.2%, due to estimated increases to salaries (5.0%), benefits (4.0%) and resumption of travel, partially off-set by lower pension contributions for our bishop transitional, who is retired from the Church Pension Fund. *EXHIBITS S1-6* provide details on staff structure, salary ranges, and total compensation by position. The Diocesan Dean structure for 2023 is still to be determined.
- **OFFICE EXPENSE:** Costs are expected to increase by about 5%, with increases for rent, IT services and other expenses.

This first draft budget is clearly a “snapshot” of a work in progress. We will continue to refine our planned expenditures and work with Trustees on appropriate funding of critical priorities. Your input is most useful at this juncture, allowing us to incorporate feedback and present a balanced budget for Convention. Our goal remains to develop a budget that supports congregational growth, focused on *relationship, leadership, and stewardship*.

Thank you for your faithful support.