

May 28<sup>th</sup>, 2019

To: Wardens, Treasurers and Convention Delegates  
From: Diocesan Council  
CC: Trustees, Standing Committee, Commission on Ministry, HR Committee and Diocesan Staff  
RE: 1<sup>st</sup> Draft 2020 Diocesan Budget & Apportionment

Each May, Diocesan Council distributes the first draft of next year's Operating Budget for your review and consideration. In June, Diocesan-Wide Meetings are held for Convention Delegates and elected Parish Leaders to provide feedback on the budget, before we finalize the proposed budget in September.

Please plan on attending one of the Diocesan-Wide Meetings, as noted below.

**June 6** at St. Michael's Church, 23 Main St, Geneseo, NY 14454  
**6:30** Potluck Dinner, 7:00 to 8:30 Meeting

OR

**June 13** at St. Peter's Church, 3825 E Henrietta Rd, Henrietta, NY 14467  
**6:00** Potluck Dinner, 6:30 to 8:00 Meeting

Attached please find the first draft of our 2020 Diocesan Budget & Apportionment, along with the budget process and timeline in EXHIBIT #1.

**INCOME from Apportionment, Investments (i.e., Endowment), and Other Income:**

**APPORTIONMENT:** In 2019, we moved to a new, simplified formula for Apportionment that is grounded in the Biblical Tithe of 10% (EXHIBIT #2). The concept behind the new formula is to expand the 10% apportionment rate-range each year, gradually reducing the average apportionment towards a 10% Tithe.

For 2020, our proposed apportionment formula is (EXHIBIT #3):

- **10% on the first \$115,000** of Parish Operating Income, and **15.5%** on all income over **\$115,000**
- Any increase or decrease in Parish apportionment for 2020 is limited to a **maximum of 3%** of the Parish's 2019 apportionment

Expanding the 10% rate range from the first \$100,000 (in 2019), to the first \$115,000 (in 2020), reduces apportionment by up to \$825 for churches with Operating Income over \$100,000. Total Apportionment income for 2020 is expected to be **\$1,015,590**, about the same as 2019 Apportionment (\$1,014,366). A list of all 2019 Parish Apportionments is provided in EXHIBIT #14.

**INCOME FROM INVESTMENTS:** Diocesan Trustees have approved total draws from investments of \$1,015,000 for 2020, including \$960,000 to help fund the Operating Budget, along with another \$55,000 from a designated fund, to fund Health Reimbursement Accounts (HRAs) for eligible retirees. The total draw is equal to 5.06% of the trailing, 5-year average balance and includes the unrestricted interest income from our loan portfolio (EXHIBIT #4). We continue to work with Trustees to balance the growth of Congregational and Leadership Development, with the need for sound Stewardship.

**OTHER INCOME:** This month, the Bishop announced the launch of an annual Bishop's Appeal -- <http://www.episcopalrochester.org/content/bishops-appeal> -- to help fund growth of key leadership development programs. As the Bishop's Appeal rolls out, with a full year of participation in 2020, we expect growth in gifts, along with previously awarded grants for Deaf Ministry, to provide a total of \$70,000 of Other Income in 2020 (EXHIBIT #5).

**EXPENSES:** After a multi-year effort to streamline our diocesan operations, our annual operating expenses have stabilized at around \$2 million. We now expect annual expenditures to increase modestly (1-2%) over the next several years (EXHIBIT #6). Expenditures in our 1<sup>st</sup> Draft Budget currently total \$2.126 million. (an increase of 1.9%), as we continue working to close a \$25,000 Operating Deficit. The assumptions for these projections are summarized in EXHIBIT #7 and detailed in EXHIBITS #8-10.

- **CONGREGATIONAL DEVELOPMENT PARTNERSHIP (CDP):** The CDP Committee is currently reviewing all new and renewal grant requests for 2020. Total CDP grant funding for 2020 is currently estimated to remain flat at \$270,000.
- **MISSION PARTNERSHIP:** The Mission Partnership Committee will be reviewing 2020 mission grant requests after June 1st. Total funding for 2020 is currently estimated to remain flat at \$175,000, allocated across: Partner, Parish & District Mission Grants, along with 2019 Sustainable Development Grants. Funding for specific programs is pending review of all applications.
- **DOMESTIC & FOREIGN MISSIONARY SOCIETY (D&FMS):** Our contribution to D&FMS will increase by 6% (to \$285,000) due to increased Diocesan income last year (2018).
- **HEALTH BENEFITS:** In 2020, funding of retiree Health Reimbursement Accounts (HRA) will come from a new, designated HRA Fund overseen by Trustees. The HRA benefit continues at \$900 per eligible retiree.
- **LEADERSHIP DEVELOPMENT:** Funding is estimated to increase by 4% (\$7,500), in order to continue expanding: The College for Congregational Development, Deaf Ministry, Children, Youth & Young Adult Ministry, as well as scholarships for seminarians. Since 2017, investments in leadership development will have increased by \$71,000, funded almost entirely by income from outside grants and growth in the Bishop's Appeal.
- **GOVERNANCE:** Total expenditures will increase by \$6,000 due to the Lambeth Conference, which occurs every 10-12 years.
- **STAFF:** Based on our current staffing levels, total staffing expense will increase by about 1%, as potential increases to salaries (2.5%) & health benefits (3.5%), will be partially offset by reduced travel expenses. EXHIBITS #11-13 provide details on staff structure, salary ranges, and total compensation by position.
- **OFFICE EXPENSE:** Costs are expected to increase 6% compared to the 2019 budget but are "flat" compared to our actual expenditures over the last 16 months (2018-2019). Anticipated increases in rent, printing and office equipment should be largely offset by savings in database support and teleconferencing.

The first draft budget is a "snapshot" of our work in progress and there will certainly be changes as we clarify assumptions, refine estimates and incorporate feedback. Our goal is to provide you with a balanced budget in September that supports congregational growth by enhancing *relationships*, developing *leadership* and continued, thoughtful *stewardship*.

Thank you for your faithful commitment and support.