

September 22nd, 2023

To: Convention Delegates, Wardens, and Treasurers
From: Diocesan Council
CC: Trustees, Standing Committee, Commission on Ministry, HR Committee and Diocesan Staff
RE: Proposed 2024 Diocesan Budget

Enclosed you will find the proposed 2024 Diocesan Budget & Apportionment, approved by Diocesan Council at our September 19th meeting.

Please plan to join us for an online forum (via Zoom) on **Wednesday, October 4th at 6:00 PM** for an overview of the proposed budget, apportionment, resolutions, logistics for Convention and an opportunity to meet the nominees for elected offices.

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 2024, the proposed apportionment formula is (*EXHIBIT #2*):

- **10% on the first \$180,000** of Parish Operating Income, and **15.5%** on all income over **\$180,000**
- Any increase or decrease in Parish apportionment for 2024 is limited to a **maximum of 5%** of the Parish's 2023 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 2024 (\$974,943) is down about 2% from 2023. A list of all 2024 Parish Apportionments is provided in *EXHIBIT #12*.

INCOME FROM INVESTMENTS: On September 6th, our Diocesan Trustees approved a draw of \$1,181,600 to fund the 2024 Diocesan Operating Budget. Trustees also approved a \$48,000 draw 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 total draw of \$1.230 M. is 5.4% of the trailing, 5-year average balance and includes the unrestricted interest income from our loan portfolio (*EXHIBIT #3*). We've worked closely with Diocesan Trustees to reduce our draws and have kept them under 5% for the last five years. One-time expenditures for the Bishop Transition and General Convention, necessitated a larger draw for 2024.

OTHER INCOME: 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, along with programs for Children, Youth and Young Adults.

EXPENSES: Over the past nine years, expenditures averaged about \$2M. For 2024, expenses for the bishop transition, General Convention, and higher inflation, will increase expenditures by about 7%, but should come down somewhat in 2025 and beyond (*EXHIBIT #4*).

Our proposed operating expenses for 2024 are \$2.177 M. (*EXHIBIT #5*), an increase of about \$156,000 (8%) when compared to the 2023 Operating Budget (*EXHIBIT #6*), and a *reduction of almost \$58,000 from the 1st Draft Budget* distributed last May. These expenses are summarized by category below and detailed in *EXHIBITS # 7-11*.

- **CONGREGATIONAL DEVELOPMENT PARTNERSHIP (CDP):** The CDP Committee continues to review renewal grant requests for 2024. Twelve churches have completed grant applications for next year (three of which are still under review). Another 7-9 grants are in process or anticipated in the next several months. The total proposed budget is now \$315,000, *down \$20,000 from the 1st DRAFT Budget*, but \$10,000 more than budgeted in 2023.
- **MISSION PARTNERSHIP:** The Mission Partnership Committee has reviewed all the 2024 mission grant requests and proposed funding remains at \$175,000, the same as the 1st DRAFT and 2023 budgets.
- **DOMESTIC & FOREIGN MISSIONARY SOCIETY (D&FMS):** Our contribution to The Episcopal Church (\$266,880) has decreased slightly (less than 1%) compared to 2023 budget.
- **LEADERSHIP DEVELOPMENT:** *Expenses decreased about \$13,000 from the 1st DRAFT Budget*, to \$166,150, due primarily to expected changes in our Diocesan Clergy Staffing roles.
- **GOVERNANCE:** *Expenses decreased \$4,000 from the 1st DRAFT Budget*, to \$256,000, but are up substantially compared to 2023, due to the impact of our Bishop Transition (\$124,000) and General Convention (\$40,000) in 2024.
- **STAFF:** *Expenses decreased about \$28,000 from the 1st DRAFT Budget*, to \$906,513 and are up less than 1% compared to 2023. Effective 7/1/2024, our CFO position will move to part-time as we begin to recognize changes in staffing due both to retirements and the bishop transition. *EXHIBITS S1-5* provide details on staff structure, salary ranges, and total compensation by position.
- **OFFICE EXPENSE:** *Expenses increased by \$2,000 from the 1st DRAFT Budget*, due to higher insurance premiums, but overall are “flat” compared to the 2023 Budget at \$91,000.

This year’s budget is impacted by several dynamic factors: Increasing requests for congregational development grants, seeking new ways to provide an ongoing clergy presence in our small churches, the bishop transition process, election of a new Presiding Bishop at General Convention and the impact of higher inflation.

The proposed 2024 Budget represents our best assessment of the resources needed at this time. That assessment will continue to evolve as we move through this period of transition for our congregations, the Diocese and The Church. While there will be ongoing changes throughout the coming year, we are blessed to have the resources to support our churches and our communities, through continued thoughtful stewardship.

Thank you for your faithful support.