

Proposed 2011 Diocesan Budget

The 225th Annual Convention of the Episcopal Diocese of Massachusetts
St. Stephen's Memorial Church, Lynn
November 6, 2010



Statement of Mission

As members of the Episcopal Diocese of Massachusetts we believe God in Christ is working everywhere in the world to heal, to reconcile, to love every person and all of creation into wholeness. Through the life, cross and resurrection of our Lord Jesus Christ, the power of sin and death has been broken; life and hope is the new reality.

It is our mission to join in God's transforming mission. We will form our children, our young people and our adult members, through prayer, worship and Scripture, to become followers of Christ, that we might discern where God is carrying out this mission in our world. And we will send our people to serve with Christ, inviting everyone and all of creation to share in the just reign of God.

Prayer for Mission

O gracious and loving God, you work everywhere reconciling, loving and healing your people and creation. In your Son and through the power of your Holy Spirit, you invite each of us to join you in your work. We, young and old, lay and ordained, ask you to form us more and more in your image and likeness, through our prayer and worship of you and through the study of your Scripture, that our eyes will be fully opened to your mission in the world. Then, God, into our communities, our nation and the world, send us to serve with Christ, taking risks to give life and hope to all people and all of your creation. We ask this in Jesus' name. Amen.

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The Episcopal Diocese of Massachusetts

Dear Colleagues in the Ministry of Jesus Christ,

How are we as a diocese, as a community of interconnected congregations, chaplaincies and ministries, answering God's urgent call to mission?

Diocesan resources are collective resources, given and shared with one another through diocesan structures for joining God's mission together, often in order to do what individual congregations and ministries can't accomplish on their own. Our mission strategy is a means for focusing and deploying those resources effectively for growth. The budget creation process continually challenged us to consider how our budget priorities and decisions are consistent with and reflect our diocesan mission strategy and how they support congregations and ministries in their responses to God's urgent call.

We believe we are answering that call together through a mission strategy that commits us to ministry with children, youth and young adults; to strategic efforts in and among city, ethnic and multicultural communities where there is both great need and great potential; and programs and resources that support vital and viable congregations and the ministries of all baptized people offering their time, talent and treasure.

Throughout our diocese there are signs of growth and new life, of people leaning on and longing for the Gospel. We believe we are witnessing a new awakening and call to the church to see its mission field right outside its doors, to reach out in new ways to seekers and those we are called to seek out. We also experience and hear of people's struggles and despair in these uncertain economic times. During such times it is tempting to respond fearfully. During such times, as Christians, we are called to a different kind of response, one of hope. So even though this budget is leaner than last year's and asks us to be ever-more responsible and thankful in our stewardship of the gifts we've been given, we are with hope sticking to our mission priorities, and we remain strongly committed to the ministries, programs and services that we believe we are called to for the sake of the world, God's creation and God's kingdom on earth.

We all offer our great gratitude to our diocesan treasurer, and to the Budget Committee, Diocesan Council, staff and ministry leadership for their contributions to this important work. I commend it now to the delegates and clergy members of Diocesan Convention for prayerful consideration and action.

In Christ's Peace and Love,

The Rt. Rev. Bud Cederholm

Diocesan Core Operating Budget Summary

This is the proposed 2011 Diocesan Core Operating Budget which is to be placed before the Diocesan Convention on November 6, 2010, for consideration and vote.

2011 CORE BUDGET SUMMARY	
Assessments	5,028,653
Congregational Contributions	36,000
Assessment Reserves	-128,653
Net from Congregations	4,936,000
Spending Policy – Endowments	661,090
Spending Policy – Trust Funds	655,727
Interest Income	44,395
Net from Investments	1,361,212
TOTAL REVENUE:	6,297,212
Deaneries, Congregations and Clergy	704,214
Congregational Resources and Training	1,029,161
Strategic Ministries	1,257,281
Episcopal and Diocesan Support	2,299,175
Administrative Services	992,138
Reserves	15,243
TOTAL EXPENSES:	6,297,212

Budget Overview

This proposed 2011 budget presents, in narrative and tables, a picture of our diocesan mission strategy in action. That strategy for joining God's mission as an inviting, forming, sending, serving diocese was adopted in 2003 and has been updated in 2006 and 2009 to reflect the diocese's evolving ministries. Although the 2011 budget is essentially flat, down 2 percent (\$120,106) from 2010, the Budget Committee and Diocesan Council, along with the Treasurer's Office and diocesan staff, nonetheless have listened carefully to input from deaneries while keeping an eye on the big picture of diocesan life.

The proposed 2011 budget is balanced. It is close to 20 percent (\$1,239,288) less than the 2008 budget, and about 9.5 percent less than the 2009 budget. As Bishop Cederholm writes in his letter on page 5, despite the fact that income and spending are reduced, this budget focuses its support so that the overall ministry of the congregations and strategic ministries can continue to thrive.

Notable increases in the proposed 2011 budget are:

- Staff compensation and benefits
- Hispanic ministries in Lawrence and Salem
- Youth ministry
- Massachusetts Council of Churches pledge
- Communications
- Congregational Development Grants
- Administrative support
- Boston University chaplain
- Title IV implementation
- Legal services
- Clergy Conference

Notable decreases are:

- St. Paul's Church, Brockton
- Expense budgets, particularly for diocesan leadership team
- The Episcopal Church Ask
- Chinese Ministry
- Congregational Resources and Training program funds and events

Process

The Budget Committee held six open hearings in the spring, five of which were regional meetings about all aspects of the diocese's finances and budget, and the sixth was an opportunity for the leaders of Strategic Ministries to address the Budget Committee. More than 200 people attended these meetings in total. The hearings provided a good opportunity to review the recently adopted diocesan mission strategy and to go into detail about diocesan finances, both expenses and revenues. Some of the topics that came up repeatedly and which helped shape the drafting of the budget were: a desire

for more transparency and more detailed information regarding diocesan finances; continuing demand for program support that will directly aid in the strengthening of congregations; wide recognition and desire to work collaboratively among congregations through a variety of channels; and urgent anticipation to know more about diocesan-led initiatives, particularly those related to communications and Strategic Ministries.

The bishops' priorities also informed the budget process. These included an increase in staff compensation; additional staffing to help coordinate Strategic Ministries programs, particularly those directly responsive to mission strategy; additional support for diocesan communications initiatives; the environment; grants to congregations; immigrant and urban ministries; support for church collaborations; and a canon for congregations.

Economic and Financial Environment and Impact on Congregations

The economy continues to be weak and strains our congregations. Since the 2011 assessments are pegged to the 2008 operating expenses, before congregations had the chance to adjust to the economic downturn, the assessment levels may seem burdensome today. Fortunately, the financial market recovery has helped diocesan portfolios, so the projected reduction in spending policy income is less than might have been anticipated a year or so ago.

Looking ahead at the 2009 parochial reports (not all of which have been received) and the implied assessment revenue available in 2012 under the existing formula, it is unlikely that the assessment revenue in 2012 will be greater than that available in 2011.

It was not possible to realize all of the bishops' priorities, particularly around staffing. This budget favors diocesan activities that return resources to congregations, such as Congregational Development Grants, and other measures that keep assessment levels affordable. (See Appendix 1 for tables detailing grants to congregations in 2009.)

Core and Supplemental Budgets

Starting with the 2009 budget, we have made a distinction between the core budget, funded by assessments and normal spending policy income from endowments, trusts and investments, and the supplemental budget, funded by development efforts, bishop's discretionary fund grants and extraordinary draws on the unrestricted endowments.

The 2009 Convention budget book described the rationale for this distinction:

By separating the overall diocesan budget into core and supplemental pieces, we can identify those programs and activities that are either temporary, experimental or otherwise dependent on funding sources other than assessments and investment income. [page 8]

Over the past two years the implementation of the core and supplemental budgets has taken time, as it has involved a number of different policies and practices at all levels. The administrative support for this, and the reorganized structure of all diocesan operations, has required an overhaul of the management accounting and reporting systems. As a result, the 2009 and 2010 budget proposals were able to disclose the bulk of the supplemental funding and spending, but in a less complete and precise manner than expected under normal circumstances.

The experience of the past two years confirms two things. First, the distinction between core and supplemental has indeed been helpful in terms of bringing some order and structure to the entire diocesan financial picture, and it has been a useful concept to guide the development of new control systems and a new chart of accounts.

Second, because of their less certain funding, the programs in the supplemental budget should receive as much or even more scrutiny as those in the core budget. This is being achieved through the gains we are making in updating our control systems, along with a better informed Diocesan Council taking appropriate oversight responsibility.

Projected Revenue for 2011

Assessments and Adjustments and Reserves

The 2011 assessment formula maintains the same structure as the 2010 formula:

$$\text{assessment due} = 15.5\% * \text{BASE} - \$6,000 \text{ (subject to a floor of 0)}$$

where the BASE for 2011 is equal to line 14 (“all other operating expenses”) from the 2008 parochial report, less line 7 (“assistance from diocese”).

For a mission, the 2011 assessment is two-thirds the amount that would be assessed if the congregation were a parish.

The assessment formula passed by the Diocesan Council in spring 2010 together with the parochial report data for 2008 generates a gross assessment for 2011 of \$5,238,485. However, at the same time, the council also created an assessment adjustment committee to consider adjustments on a parish-by-parish basis according to the particular circumstances. The Diocesan Council ratified the committee’s work and approved adjustments for 24 parishes totaling \$209,832, bringing the net assessment billings for 2011 down to \$5,028,653. Furthermore, to provide a reserve against assessments not paid in 2011, the budget sets aside \$128,653. This sets the revenue available to the budget from assessments at \$4,900,000, plus \$36,000 additional revenue from projected voluntary contributions from congregations, for a total revenue from congregations of \$4,936,000.

Net Revenue from Investments

Not all revenue for the core budget comes through payments from congregations. Almost 22 percent comes in the form of spending policy draws from investments, either owned directly by the diocese (including our endowment funds), or owned by others (usually the Trustees of Donations) in trust for the benefit of the diocese.

Some funds, whether owned by the diocese or by a trust, place no restriction on the diocese regarding the use of the income provided through the spending policy draws. The unrestricted funds represent about 25 percent of the available spending policy income. The remaining funds have some restriction on the use of the spending policy income, but in most cases the restriction is consistent with the regularly anticipated expenses of the diocese. There are a few funds, however, where the restrictions call for close monitoring and measurement.

Spending Policy – Trusts (see Appendix 2)

The appendix table lists the trusts owned and managed by the Trustees of Donations for the benefit of the diocese. The trustees will distribute 4 percent of a lagged measure (12 trailing quarters) of market value for each fund. There are a few funds with restrictions that require the trustees to deviate from the general spending policy formula. In some cases, the distribution is limited to actual income produced by the fund, and in other cases, all income must be reinvested for the time being. The total spending policy income available in 2011 is about \$70,000 less than that available in 2010, due primarily to the lower market values recorded in 2008 and 2009.

Spending Policy – Endowments (see Appendix 3)

The appendix table lists the endowments owned by the diocese and managed by the Trustees of Donations. These include some funds that are unrestricted and others that have some restriction on their use; these restrictions may have been placed by a donor or by Diocesan Council.

The proposed spending policy for 2011 is similar to that adopted by the Trustees of Donations: an annual draw of 4 percent of a base that reflects the average of the market value over the past 12 quarters, adjusted for withdrawals from and additions to principal.

The total spending policy income available in 2011 is about \$70,000 less than that available in 2010, due in part to extraordinary withdrawals from the unrestricted endowment to fund the HVAC work in 2009 at the 138 Tremont Street office buildings and a higher spending policy draw required in 2010.

Investment Income

The inclusion of \$44,395 in interest income represents the income to be earned and collected from the mortgages extended to the two bishops suffragan.

Projected Expenses for 2011 by Areas of Operation

Diocesan operations are organized into five areas: Deaneries, Congregations and Clergy; Congregational Resources and Training; Strategic Ministries; Episcopal and Diocesan Support; and Administrative Services. The bishops and the canon to the ordinary are the leadership team with oversight for the diocesan operations.

Deaneries, Congregations and Clergy (see table on page 15)

Support for Deaneries: codes 1001, 1002, 1003

The deaneries are the official structure for organizing the congregations of the diocese into regional groups. The assembly of a deanery is responsible for electing its officers and its representatives to Diocesan Council, and for administering various diocesan grant programs. The core budget provides three types of ongoing support for the 12 deaneries: The parish of each dean receives a quarterly stipend of \$1,000 as recognition of the responsibilities assumed by the dean. The elected co-conveners of each deanery assembly can request reimbursement for deanery assembly expenses up to \$500 per year. There is \$500 per deanery reserved to help defray the costs of deanery Confirmations.

Transition Ministries: 1111

The transition ministries program provides stipends to coaches who work with parishes in transition. The proposed budget allocation for 2011 is \$9,000, the same as in 2010. In addition, there is \$5,000 allocated for the travel and other expenses of the canon for transition ministry and clergy deployment.

Commission on Ministry: 1311

The program costs for the Commission on Ministry are sensitive to the number of postulants and candidates in the process. The budget allocation for 2011 is \$56,000, the same as in 2010.

Diaconate Program: 1331

Acting on the request of the diocesan leadership team, the 2011 budget for the diaconate program is \$3,000 higher than in 2010, to provide stipends for the program leadership.

Seminarian Scholarships: 1213, 1312

Code 1213 is the newly moved cost center for the MSASA/African Scholarship fund, so that this fund can be administered by the officer for ordained vocations. The income available from this restricted endowment (fund 7002E) in 2011 is \$8,679.

Two restricted funds support the core budget allocation to the other cost center associated with seminarians. The seminarian educational endowment (fund 7004E) will provide \$42,169 of income in 2011. The A. C. Bullard fund (7002Q) will provide \$7,690 in income, with the restriction that the student at the Episcopal Divinity School who

receives it will be active in some way at Christ Church, Hyde Park. Not shown here in the core budget is the additional income for seminarian scholarships that the bishops provide through their parish visitations.

Support for Retired Clergy: 1231

The amount for program in this area is \$3,500. The cost center also includes two \$250 grants from the Benjamin Leeds fund (7000G) to the Society for the Relief of Aged or Disabled Clergy, and to the Society for the Relief of Widows, Widowers and Orphans of Clergy; these grants offset charges in the same amount to the two societies for accounting services provided by the diocese (and included in the fees earned by cost center 5011, the Treasurer's Office).

Clergy Events: 1321, 1341, 1411, 1421, 1431

There are separate cost centers provided for the Fresh Start program, the Clergy Family Network, a pre-Lenten retreat, the spring Clergy Conference and the fall Clergy Day. All except the Clergy Conference are budgeted at the same level as in 2010. The allocation for the net cost to the core budget of the Clergy Conference is \$35,000 in 2011, which is \$5,000 higher than budgeted in 2010.

Sabbaticals and Continuing Education: 1211, 1212

The 2010 core budget allocated \$16,000 and \$8,000 for the programs for sabbaticals and for continuing education. The 2011 budget allocates from the core budget \$6,888, which is the amount of the income to be received from the Bishop Nash fund (7002M), for the sabbatical program and \$0 for continuing education, with the expectation that these programs will receive supplemental funding from a grant from the bishop's discretionary funds to bring the total funding to 2010 levels.

Area Staff and Expenses: 1000

As shown in the staff table (see Appendix 5), this area has five staff positions within it, with a total compensation cost of \$437,288, plus \$5,000 allocated for area expenses.