

## MEMORANDUM

Date: November 4, 2009

To: Members of Synod

From: Budget Sub-committee

Re: **2010 Proposed Budget**

Attached is the 2010 Proposed Budget which was approved by the Financial Advisory Committee.

We recognize that a budget is simply a tool wherein we forecast the expected revenues and expenses that will occur in a future period. It gives us a comparison between what we think will happen and what actually happens. The importance of a budget lies in our ability to understand and explain variances that are different than we originally predicted would happen.

This budget is the next step towards realizing the evolving vision of the Diocese of Niagara. In the 2009 budget, we made some reductions in specific expense categories to make funds available to address two specific needs at that time. The first pertained to the Diocesan share of expenses at Cathedral Place and attempts to better match expenses with the role the Cathedral plays in the life of the Diocese. The second was the beginning piece of addressing the DM&M structure that currently exists and moving to a new model. There was \$150,000 available to provide both short term grants to parishes who are experiencing financial difficulties and are committed to realizing our Bishop's vision, as well as allowing parishes who choose to move to a one year calculation of DM&M from the current three year rolling average. This latter opportunity will assist parishes who are experiencing significant reversals in income or operational changes. A number of parishes have chosen to move to the one year DM&M model and we are in the process of setting that up. In addition, parishes have applied for the above noted grant and a decision related to those requests will be made shortly.

For 2010, a further sum of \$150,000 has been set aside in the budget for parish grants under the category Diocesan Operations. This will alleviate some of the pressure on the Personnel Transition and Severance line, as these costs were formerly included under this item.

A new position has been created entitled Ministry Support Consultant beginning in October of 2010. This is an important component of the new vision and is required to implement the covenanting process amongst clergy, parishes and the Diocese.

We have balanced the budget and financed the new items contained therein through a reduction in our commitment to the National Church and not replacing an employee from the finance area who has accepted other employment.

Following are some highlights of the budget which I hope will assist you in reviewing it:

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- There has been no change in the Diocesan Mission & Ministries rate used to calculate the assessment figure. The current rate of 32.83% remains unchanged for 2010. The projected DM&M amount used for 2010 budget purposes is net of the \$150,000 that has been set aside to assist parishes as mentioned above.
- We have not projected any investment return for 2010 as we anticipate these funds will be required to finance our ongoing cashflow needs as well as having offset operating losses for 2007 and 2008, in addition to funding the expenses related to the breakaway parishes. As we identified last year, investments previously decreased as they were the source of the \$850,000 we used to purchase the 1.6 acres adjacent to St. Luke's in Palermo and the \$528,560 representing Endowment Funds which were transferred to the Anglican Church Ministries Foundation, Niagara. The later transfer was done to ensure we maintain the integrity and purpose for which the endowment funds were originally established. Income generated from the endowment funds will support those activities that they were intended for.
- The budget for Synod Council Committees has been reduced to 5,000 and members of Synod Council are now bringing their own meals to meetings of this body.

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- A new position is included in the budget entitled Ministry Support Consultant and this will commence in October 2010. This has been mentioned above and will move us forward in realizing the new vision.
- A part-time position has been created named Cemetery Consultant to assist parishes in dealing with the various regulations established by the province with respect to cemeteries.
- The Louisa Parke Fund was totally drawn down during 2005. However, the commitment for a number of retired clergy remains. The \$44,000 amount represents the total monies required, for this purpose, in 2010. It is less than budgeted for in 2009 and it will continue to reduce over the coming years.
- The Treasurer's salary line was reduced in 2010 to reflect the interim position.
- Costs related to the office staff in the Finance area have been reduced in 2010 to reflect the loss of one employee who has accepted alternative employment. It is hoped the work load can be distributed amongst the remaining staff.
- The Investment Fund Administration Transfer represents the fee charged for the administration of Diocesan investments. The service fee transfer projected for 2010 is similar to that budgeted in 2009.

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- The Personnel Transition and Severance budget line has increased to \$315,000. It is difficult to anticipate on an annual basis what the appropriate figure should be, since the budget is set well in advance of the next operating year. Since 2000 Survive & Thrive has funded an additional amount of \$70,000 per year for five years and in 2004 a further one time amount of \$200,000 was approved. During 2004 the total amount expended in this category, from all sources, amounted to \$450,000. In 2005 this jumped up to \$590,825. In 2006 this increased to \$703,675. In 2007 it fell back to \$663,884. In 2008 it dropped slightly to \$660,178. For 2009 we are running over budget but at reduced rate compared to 2008. We are hopeful that the 2010 expense amount will be in line with the budget, especially since we have removed \$150,000 from this line by setting up the parish grants.
- The Parish Grants is a new line in name only, as the dollars were previously allocated under the Personnel and Transition line.
- Interest rates have decreased significantly this year so we have allowed for a reduction in Parish Interest/Other Expenses.
- Parish Loan Reduction reflects the annual loan payment we are required to make to our bank each year based on outstanding Synod term loans. This amount was increased in 2005 to \$115,010 as the result of borrowing \$125,000 to meet our commitment on the \$250,000 roof repairs to Cathedral Place in 2005. It is to be repaid over the next ten years.
- Staff Expenses have been reduced as we attempt to further reduce spending.
- A new category was added in the 2009 budget entitled Recovery Interest on Parish Receivables. A number of years ago, Synod gave approval to Synod Council to implement a program of charging interest to parishes on their Diocesan receivables. Synod Council, on October 14<sup>th</sup> 2008, tabled a motion to implement a plan to charge interest on Diocesan aged receivables older than 90 days. The approval of the 2009 budget resulted in the implementation of this charge. This action would place the interest cost related to using Diocesan funds squarely with the parish of origin rather than having all the other parishes subsidize the cost. Our current level of outstanding receivables would generate approximately \$43,000 per year and be an offset against interest charged on our bank operating loan.
- The Cathedral Place Building section was changed in 2009 in order that all of the costs associated with the Cathedral Place property were reflected in the budget. The actual 2008 results only reflect the Diocesan share. There has been a reduction in projected costs for 2010.
- In 2008 we assisted the Cathedral by providing some salary assistance which recognized the staff services the Diocese uses when we hold special events at the Cathedral. We discontinued that in 2009 and replaced it with a 50% reduction in the DM&M paid by the Cathedral. This recognizes the time and talent the Diocese receives without attempting to match it to any specific salary.
- As noted above, we have reduced our apportionment to the National Church for 2010.

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- Canterbury Hills has proposed a reduction in the Summer camp Program that will see support for this item eliminated over the next three years. Reductions will be in the amount of \$50,000 for 2010 and \$30,000 for 2011 and \$15,000 for 2012. It is anticipated that Canterbury Hills will replace these funds through development of their own fundraising program and the camp will continue in its present form.
- The Chaplaincy Program has been reduced by one third for 2010.
- Outreach Within The Diocese has been reduced by approximately 66%.

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- Clergy Development & Education has been reduced in the Divinity Student's and Ordinations categories as the number of students has declined from previous year.

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- Another Archdeacon was appointed in 2009 and we have increased the Archdeacons line to accommodate that change.
- The Clergy and Licensed Lay Workers Conference has been reduced to better reflect the dollars being spent in this area.
- Support for the Niagara Anglican has been increased to \$30,000. It has been an ongoing challenge to control costs in this area based on the continuing increase in mailing and production costs. Although we have limited the number of pages that make up the paper, this has only assisted in reducing our production costs.