

Report on the 2009 Budget

May 23, 2009

Projecting income streams

The largest portion of diocesan income comes from congregations through the Diocesan Program Assessment (DPA) mandated by Diocesan Canons. It is now clear just how much of a 'moving target' it is to try to project DPA. That's probably true in any year; it's certainly proven true in the current cycle. We would like to think that our projections are sound, but they are at best an educated guess, especially in the current economic climate.

In May of 2008, the first draft of a budget for 2009 included a projected increase in DPA of nearly \$87,000. Diocesan Council was assured that this projection was based on historic trends and could be relied upon. (Because of the departure of Bishop Itty and the uncertainties of the transition that would follow, some urged a more cautious projection of DPA while others encouraged greater optimism. There was no consensus, so the projections favored neither opinion.) The initial projections were accepted and included in the first drafts circulated following the May 2008 meeting of Diocesan Council.

Over the course of the summer, as the signs of a weakening economy began to become clear, confidence in this projected DPA increase began to wane. Based largely on feedback from convocations, the initial increase was reduced by 50% and a more modest increase of \$43,000 was ultimately incorporated into the budget that was adopted by Council in September 2008 as the budget proposed to Convention (where it was formally adopted in November).

After the end of the year, a more careful assessment of 2008 year-end financial reports show that DPA income failed to meet the budgeted DPA for that year by roughly \$120,000 (and it now appears that it began to fall off in the latter half of 2008). Consequently, even if actual DPA income for 2009 remained flat as compared against 2008, our budget would be overly optimistic by more than \$160,000 (the 2008 shortfall of \$120,000 plus the budgeted 2009 increase of \$43,000).

An updated assessment on 2009 DPA

By early in 2009, Council began to recognize that any DPA increase was unrealistic and that operating income would almost certainly be less in 2009 than in the previous year. It falls to Diocesan Council to respond in this circumstance. Diocesan Canon 5.2 (Sec. 4) reads, in part:

If the total Diocesan Program Assessment computed pursuant to the rates herein set forth, together with all other income available to the Diocese, provides an amount less than the total sum needed to meet the budget approved by the Convention, the Diocesan Council shall modify the budget as necessary to bring about a balance between income and expenditures.

Before making any cuts in spending, the Program and Budget Committee worked to ascertain how much of a shortfall in income was likely. Congregations were asked to advise the Finance Officer of their likely DPA contributions. The responses suggested a likely decrease, but not all congregations responded, making it hard to know how much of a decrease to anticipate. A careful review of the worksheets submitted to the Finance Officer (used to determine DPA, as mandated by Diocesan Canon) followed, revealing the scope of the challenge in the current year. *

* NOTE: The monthly worksheets report on income from the previous month. The worksheets for January – April 2009, therefore, reflect actual income received by congregations from December 2008 – March 2009.

According to the monthly reports, giving to the congregations of the Diocese declined for the first four months of the year by 12%. The DPA paid to the Diocese for this same period is down by 17% – an actual decrease of roughly \$118,000 in diocesan income through the end of April.

The only good news in all of this analysis is that we may have seen the worst of the hits. The January reports reflect income for December and an unusually severe year-end stock return may have significantly reduced year-end giving but may not have as deep an impact on giving for the remainder of the year. Furthermore, the unusually severe weather in December (including the cancellation of Christmas services in many places) undoubtedly cut into the “bottom line” of giving for the month, thereby reducing January DPA payments unusually.

Based on reports from congregations, Diocesan Council has concluded that the shortfall in income could reach \$350,000 for the current year, requiring the following adjustments to the 2009 budget:

➤ **“DIOCESAN RESOURCES AND SERVICES through the Bishop’s Office” – reduce by \$141,256**

This category is the single-largest expense category ... and personnel costs (included there) are the single-largest item in the whole of the budget. Because the staff is so vital to ministry, this category has been reduced as little as possible, but it is impossible to protect it entirely.

The specifics of how to make those reductions falls beyond the scope of Diocesan Council. Accordingly, Standing Committee (as the ecclesiastical authority) and Administrative Team will have to determine the best strategy for implementing these reductions.

➤ **“GENERAL DIOCESAN RESOURCES AND SERVICES” – reduce by \$53,284**

This category includes several reserve transfers for concerns that cover multiple years. Any discretionary transfer is zeroed out entirely. So, too, the “contingency” line item is zeroed out. Other programs generally have been reduced by 50% without consideration of merit.

➤ **“OUTREACH: MISSION and MINISTRY BEYOND OURSELVES” – reduce by \$96,500**

The largest reduction in this category is our giving to the National Church. The amount due is determined by a formula based on our diocesan income from two years prior. In the light of current realities, the 17% reduction in overall DPA is carried into a recommendation to reduce giving to ECUSA by \$85,000.

➤ **“COMMON MISSION MINISTRIES” – reduce by \$51,710**

In general, most program areas are reduced by 50% without consideration of merit. (Some programs, it should be noted, have already exceeded this amount of spending and will end the year with a budget variance.)

There are a few exceptions to a simple 50% reduction: “MissionInsite,” for example, is zeroed out by prior agreement; the stipend for Indian Ministry is not reduced; the transfer to reserve for Synod deputies is zeroed out (in keeping with the action taken for other discretionary transfers above).

Closing remarks

Diocesan Council regrets the need to make these cuts, but has concluded that there is no way to bridge such a large loss of income without painful reductions in every area.

Council intends to carefully monitor income over the course of the coming months. If income projections improve, we hope that some of these reductions can be eased ... and some funding may yet be restored before the end of the year.

2009 Diocesan Program Budget as Adopted by Convention:		2009 Convention Budget	Adjustments to Budget	2009 Revised Budget	% of Total Reduction Required
A. SUPPORT for OUR COMMON MISSION					
1	Diocesan Program Assistance	2,084,973	(350,000)	1,734,973	
2	Episcopal Endowment Fund	-		-	
3	Interest Income: Deposits	5,433		5,433	
4	Mission Trust Fund	6,755		6,755	
5	Platt Bequest	2,250		2,250	
6	Pledge: Bishop's Auto Lease	5,665		5,665	
7	Other Income & Support	2,659	-	2,659	
8	TOTAL SUPPORT for COMMON MISSION:	\$ 2,107,735	\$ (350,000)	\$ 1,757,735	
B. BUDGETED EXPENDITURES FOR MISSION, EVANGELISM, AND DISCIPLESHIP:					
a. DIOCESAN RESOURCES AND SERVICES through the Bishop's Office:					
9	Bishop: Stipend (1/2 time Assisting Bishop 2009)	94,708		94,708	
10	Pension	-		-	
11	Insurances	-		-	
12	Travel, Continuing Education	25,072		25,072	
13	Congregational Development, Bishop's Request	6,500		6,500	
14	Canon to the Ordinary Stipend (Deployment/Vocation Director)	93,600		93,600	
15	Pension	8,520		8,520	
16	Insurances	1,549		1,549	
17	Travel, Cont. Educ.	14,808		14,808	
18	Canon for Finance & Admin.* Stipend	60,000		60,000	
19	Pension	2,585		2,585	
20	Insurances	28,937		28,937	
21	Travel, Cont. Educ.	6,233	(5,000)	1,233	
22	Close Staff * Stipends	244,781		244,781	
23	Benefits	96,069		96,069	
24	Diocesan Hispanic Missioner *	44,988		44,988	
25	Hispanic Clergy (Boring & Hillsboro) *	106,711		106,711	
26	Hispanic Ministry: Commission Expense	10,000		10,000	
27	San Miguel & Todos Los Angeles	-		-	
28	Director of Communications *	67,669		67,669	
29	Ministry in Communication, OECN	57,295		57,295	
30	Min. in Chr. Educ. & Lifelong Formation: Stipend & Benefits *	56,118		56,118	
31	Chr. Educ. & Lifelong Formation: Prog. Exp.	12,500	(2,000)	10,500	
32	Missioner for Youth, Higher Education, & Young Adults *	56,164		56,164	
33	Benefits & Expenses	19,931		19,931	
34	Ministry in Higher Education	85,393		85,393	
35	Youth Ministries Commission	10,000		10,000	
36	Retiree Life Insurance	1,000		1,000	
37	Retiree Medical Insurance	53,626		53,626	
	Budget Reductions - Staff and Office	-	(141,256)	(141,256)	
39	TOTAL a:	1,264,757	(148,256)	1,116,501	42.36%
b. GENERAL DIOCESAN RESOURCES AND SERVICES					
40	Clergy Conference	12,000	(6,000)	6,000	
41	Clergy Support (Transfer to reserve)	4,500	(4,500)	-	
42	Contingency	21,642	(21,642)	-	
43	Diocesan Administrative Services	125,000		125,000	
44	Diocesan Convention and Mission & Ministry Fair	25,000		25,000	
45	Ecclesiastical Court (Title IV) (Transfer to reserve)	10,000	(10,000)	-	
46	ECW Triennial (Transfer to reserve)	500	(250)	250	
47	Episcopal Transition (Transfer to reserve)	13,000		13,000	
48	Finance Department	32,106	(1,142)	30,964	
49	Fresh Start for Clergy & Congregations	11,000	(5,500)	5,500	
50	General Convention Deputies (Transfer to reserve)	9,000	(4,500)	4,500	
51	TOTAL b:	263,748	(53,534)	210,214	15.30%

2009 Diocesan Program Budget as Adopted by Convention:		2009 Convention Budget	Adjustments to Budget	2009 Revised Budget	% of Total Reduction Required
c. OUTREACH: MISSION and MINISTRY BEYOND OURSELVES					
52	Companion Diocese	9,000	(4,500)	4,500	
53	Ecumenical Ministries of Oregon	4,000	(1,000)	3,000	
54	ECUSA Program	439,528	(85,000)	354,528	
55	Millennium Development Goals (.7 % of inc., per 2006 Convention)	14,754	(3,000)	11,754	
56	Province VIII Program	10,000	(2,500)	7,500	
57	NW House of Theological Studies	2,000	(500)	1,500	
58	TOTAL c:	479,282	(96,500)	382,782	27.57%
d. COMMON MISSION MINISTRIES					
59	Commission to End Racism	4,000	(2,000)	2,000	
60	Commission on Ministry	10,000	(5,000)	5,000	
61	Congregational Growth & Development Committee	10,000	(5,000)	5,000	
62	Convocation Expenses (Sunset)	7,000	(3,500)	3,500	
63	Deaf Ministry	8,520	(4,260)	4,260	
64	Diocesan Altar Guild	500	(250)	250	
65	Diocesan Committees Travel & Expense	5,000	(2,500)	2,500	
66	Education for Ministry	2,450	(1,225)	1,225	
67	Environmental Commission	1,100	(550)	550	
68	Episcopal Relief & Development Coordinator	1,410	(705)	705	
69	Evangelism Commission	1,000	(500)	500	
70	Global Mission Committee	1,000	(500)	500	
71	Indian Ministry: Stipend & Benefits	4,248	-	4,248	
72	Program Expense	1,000	(500)	500	
73	Liturgy & Music Commission	-	-	-	
74	Ministry in Prisons	14,500	(7,250)	7,250	
75	MissionInsite Client Status (formerly Percept)	7,120	(7,120)	-	
76	Peace & Justice Ministry	2,000	(1,000)	1,000	
77	Poor & Homeless Fund Administration	1,500	(750)	750	
78	Recovery Commission	2,000	(1,000)	1,000	
79	Safe Church Training (SAPT)	2,500	(1,250)	1,250	
80	Stewardship Commission	11,500	(5,750)	5,750	
81	Synod Deputies (Transfer to reserve)	600	(600)	-	
82	William Temple House	1,000	(500)	500	
83	TOTAL d:	99,948	(51,710)	48,238	14.77%
e. NOT REQUESTED or NO FUNDING RECOMMENDED FOR 2008					
84	Asian Mission	-	-	-	
85	Stipend Subsidy (Mission Clergy)	-	-	-	
86	Center for the Diaconate: Stipend & benefits	-	-	-	
87	TOTAL e:	-	-	-	
88	TOTALS FOR B:	2,107,735	(350,000)	1,757,735	
89	NET INCOME (EXPENSE)	-	-	-	