

The Episcopal Diocese of Western Massachusetts

Memorandum

To: Delegates to the 122nd Diocesan Convention
From: Kimberly A Foster, Chief Financial Officer
Subject: **Plan for Use of Diocesan Resources in 2024**
Date: October 6, 2023

On behalf of Bishop Fisher and Diocesan Council I am pleased to present the proposed budget for 2024. I will be available to answer questions about this plan at a Q & A Budget Hearing scheduled for 5:00 PM on Thursday, October 26th via Zoom. This is an optional meeting for those who may still have questions after reviewing this plan. Additionally, you are most welcome to contact me directly. I can be reached at kfoster@diocesewma.org.

Overview of Current Year - 2023

We're back in full swing this year! After a few, long years of virtual events, we're again gathering together in person on a regular basis for meetings, trainings, celebrations and our annual convention! How joyous and freeing after experiencing the constraints and challenges presented by the pandemic.

Still, we are faced with a different set of challenges due to the financial market uncertainty and the long-lasting effects of high inflation. An overall rise in prices over time does erode our purchasing power and while inflation is gradually improving, a return to the Fed's targeted 2% level could take until late 2024. As a result, some of our congregations may be experiencing budget restraints, calling upon Leadership to collectively engage in careful, realistic budget planning.

The Plan - 2024

Each budget year we strive to align our human, financial, and spiritual resources in support of our common mission. This coming year, the focus continues to be on increasing vitality and vibrancy in our congregations. Our strategy is to continue to invest in leadership formation and development work, and to discover ways to support our congregations in gathered settings within and beyond our buildings.

Our work is guided by priorities and goals set by the Episcopal Church, the Bishop and Diocesan leadership:

- Developing and supporting transformational lay and clergy leaders
- Engaging congregations in processes of honest, healthy self-assessment and renewal
- Encouraging inter-diocesan, ecumenical, and interfaith partnerships in congregations and the Bishop's office
- Providing opportunities for clergy to gather for support and networking
- Committing to Racial Reconciliation, Creation Care and God's justice "on earth as it is in heaven"
- Encouraging and supporting new initiatives in ministry (moving from idea to ministry and from ministry to a movement)

Staff Allocation Changes and Other Adjustments

Each year we review personnel costs in relation to the key budget categories to assure we are accurately representing staff expenses as a reflection of the work we've been given to do. We have only one adjustment to the 2024 budget as follows:

- In 2024, Susan Olbon is scheduled to work an average of 22 hours per week with a focus primarily on Human Resource Management and Benefits Compliance matters.

EXPENSES:

For 2024 planning purposes we assume travel activities will resume at levels similar to pre-pandemic 2019 figures and events, programs and gatherings will again be offered in person, to include virtual options as necessary.

Due to the high inflation rate over the past few years, a 5% cost of living increase has been applied to staff compensation.

We have allocated **\$35,000** for costs related to General Convention to be held again in 2024.

2024 will require an additional draw of **\$128,200** from invested funds to balance the budget. This draw comes from a fund with the Trustees set up specifically for this purpose and will not impact the spending rule distributions that we rely on from year to year to balance the budget.

Description of Major Budget Categories

- **Bishop's Ministry: \$612,491** includes our communications work, parish visitations, confirmations and ordinations, and representation at the house of Bishops and other communion wide work.
- **Congregational Support: \$438,715** includes funding of **\$130,000** in grant opportunities, significant support to congregations around clergy transitions, Safe Church Training & Prevention, and our budgets for Young Adult Ministry and Hispanic Ministry in the Diocese.
- **Formation & Leadership Development: \$328,806** funds Parish Leadership events and other diocesan wide leadership events, Clergy Day(s) and Clergy Conference, leadership training and coaching, Loving the Questions, Commission on Ministry, Diaconate Formation, Fresh Start, Seminarian Assistance, and support for the Episcopal Service Corps program in our diocese at All Saints, South Hadley.
- **Mission in the World: \$518,872** includes support for our outdoor worship communities, Creation Care, our apportionment to the Episcopal Church, Global Mission grants, support of ecumenical organizations, and support of Episcopal Relief and Development.
- **Governance: \$194,563** represents Chancellor's expenses, the cost of Diocesan Convention, General Convention (every three years), benefits for retirees, and costs associated with the Title IV disciplinary process.
- **Finance & Administration: \$444,467** are costs related to general business office operations including staff compensation and benefits, rent to CCC, repairs & maintenance, internet, telephone, supplies, leased equipment, property & liability insurance, cyber insurance, and the annual audit fee.
- **Agency: Admin & Human Resource Services: \$144,147** provides full payroll services, benefits administration, and oversight of the property and casualty insurance program for the congregations and programs of the diocese.

Other Notable Lines

- Our 2024 budget for Mission in the World (Outreach) is **\$518,872K**. This includes our Apportionment to The Episcopal Church of **\$342,474**
- **\$70,000** for Ministry Development Initiatives
- **\$22,950** for Formation and Leadership Development training and consulting
- **\$10,000** annual grant to support Lawrence House, our Episcopal Service Corps program run out of All Saints' in S. Hadley
- **\$126,522** to support Hispanic Ministry
- **\$69,000** in scholarships for members of our congregations, children of clergy, seminarian assistance and sabbatical grants in support of our clergy.
- **\$53,694** to support our Creation Care Ministry

Expense Summary

The total expense budget in 2024 is **\$2,682,062**. Payroll and personnel related expenses make up 48.8% of the budget. The work of the Bishop's office is relational and highly dependent on personnel. Specific services provided by the Administrative Offices of the Diocese to the congregations are payroll & benefits administration, HR support, transition ministry support, congregational development programs and support. Included in the budget is the cost of the diocesan convention, clergy conferences, and diocesan wide leadership development events.

INCOME:

We are expecting **\$2,682,567** in total revenue in 2024, an increase of **\$25,192** compared to 2023 projections.

Summary of Revenue Breakdown

- **Assessment for Common Ministry: \$1,095,567*** represents 40.8% of the budget. This is an increase of \$5,442 compared to 2023 assessment revenue of **\$1,090,125**.
- **Use of Investments – Spending Rule: \$1,414,000** is a conservative estimate representing 52.7% of the budget. **Note:** Quarterly distributions have remained relatively stable despite market fluctuations due to the 20 quarter rolling average adopted by the Trustees to calculate the distribution value each quarter.
- **Use of Investments – Additional Draw: \$128,200** is needed to balance the operating budget. We have a fund invested with the Trustees set up specifically for this purpose to assure that draws do not adversely impact our 5% spending rule distributions.
- **Program Income: \$24,000** in event registration fees generated from Diocesan Convention, Safe Church, Clergy Conference, and Loving the Questions.
- **Other Income: \$20,800** is projected with **\$5,200** representing grant funding available in support of Creation Care and Young Adult Ministries; **\$5,000** in support of Hispanic Ministries in the Diocese coming from the annual Stickney Trust distribution; and the balance relates to reimbursement from the Trustees for administrative support to Mick Kalber, Executive Director of the Trustees for the Diocese of WMA.

*Assessment Income (Support for Common Ministry) - Assessment income is budgeted using our standard formula (noted below), which uses the average of the most recent three full years of Normal Operating Income as reported on the parochial report.

The first \$50,000 of Operating Revenues are assessed at a rate of 6.75%

Operating Revenues of from \$50,001 to \$75,000 are assessed at a rate of 9.75%

Operating Revenues of from \$75,001 to \$125,000 are assessed at a rate of 10.5%

Operating Revenues of from \$125,001 to \$200,000 are assessed at a rate of 12.25%

Operating Revenues over \$200,000 are assessed at a rate of 13.25%

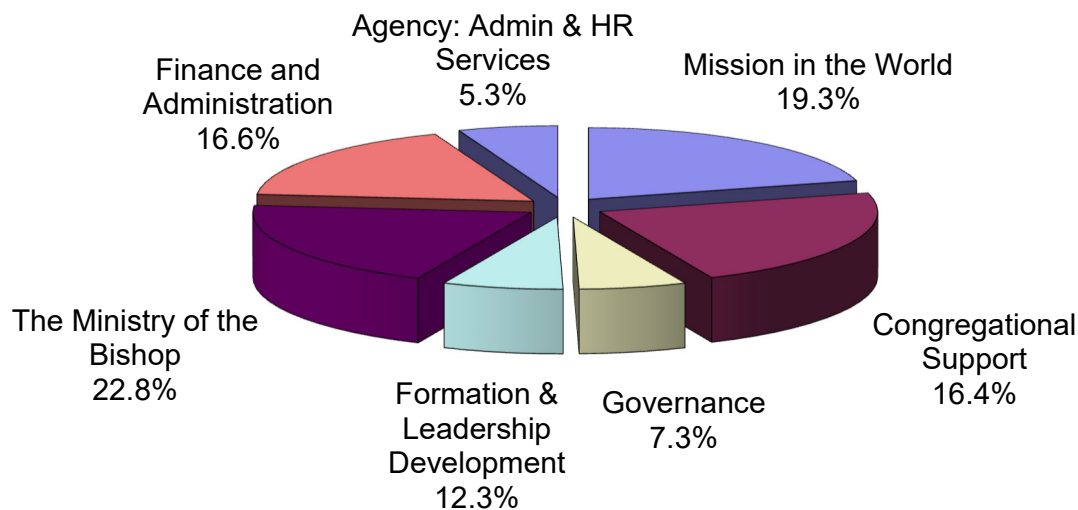
Bottom Line:

The budget for 2024 is balanced with the aid of a **\$128,200** additional draw from our invested funds. We will monitor income and expenses closely and be prepared to adjust the budget as necessary, due to an ever-changing environment.

In conclusion, the diocese is in excellent position to serve its congregations and to serve our ministries as we continue to navigate the challenges related to current economic conditions.

I encourage you to accept this 2024 budget proposal of the Diocese of Western Massachusetts.

Budget Expenses by Category



Members of Diocesan Council: The Rt. Rev. Doug Fisher (President), Mr. Mark Rogers (Treasurer), the Rev. Tanya Wallace (Vice President), Ms. Wende Wheeler (Secretary), the Rev. Dr. Richard Simpson (Assistant Secretary), Mr. Frank Minasian (Trustee Representative), the Rev. Tom Callard, Mr. Richard Delorme, Mr. Richard Gore, Mr. Kurt Hultgren, the Rev. Charlotte LaForest, the Rev. Eliot Moss, the Rev. Mary Rosendale, the Rev. Michael Tuck, and Mr. Reynolds Whalen

Members of the Budget and Financial Planning Committee: Mark Rogers, Committee Chair (Church of the Reconciliation, Webster), Mick Kalber (Holy Trinity, Southbridge), Wayne Gass (All Saints, South Hadley), Al Symonds (St. Stephen's, Pittsfield), Robert Perkins (Holy Spirit Church, Sutton), the Rev. Mary Rosendale (St. Stephen's, Westborough), the Rev. Dr. Janet Zimmerman (Berkshire Corridor), and Kimberly Foster (CFO, Assistant Treasurer)

One Page Summary of the Proposed 2024 Budget

	2021 Actual	2022 Actual	2023 Budget	2024 Proposed Budget	<u>% of Budget</u>
<i>OPERATING REVENUES</i>					
Assessment for Common Ministry	1,139,884	1,137,067	1,090,125	1,095,567	40.8%
Use of Investments - Spending Rule	1,376,328	1,324,680	1,406,000	1,414,000	52.7%
Investment Income - Additional Draw	0	0	98,200	128,200	4.8%
Program Income	8,235	19,945	30,250	24,000	0.9%
Other Income and Gifts	30,429	66,583	32,800	20,800	0.8%
Internal Funding	6,320	5,122	0	0	0.0%
<u>Interest Income</u>	<u>681</u>	<u>254</u>	<u>0</u>	<u>0</u>	0.0%
TOTAL REVENUES FOR DIOCESAN OPERATIONS	2,561,877	2,553,651	2,657,375	2,682,567	100.0%
 <i>OPERATING EXPENSES</i>					
The Ministry of the Bishop	544,976	580,719	580,305	612,491	22.8%
Congregational Support	617,163	440,166	480,751	438,715	16.4%
Formation & Leadership Development	127,261	295,759	344,694	328,806	12.3%
Mission in the World	547,275	522,059	509,333	518,872	19.3%
Governance	144,087	158,713	159,431	194,563	7.3%
Finance & Administration	420,561	413,427	425,333	444,467	16.6%
<u>Agency: Administration & Human Resource Services</u>	<u>160,522</u>	<u>142,768</u>	<u>156,778</u>	<u>144,147</u>	5.4%
TOTAL OPERATING EXPENSE	2,561,845	2,553,611	2,656,625	2,682,061	100.0%
 OPERATING REVENUE AND EXPENSE					
Operating Income	2,561,877	2,553,651	2,657,375	2,682,567	
<u>Operating Expense</u>	<u>2,561,845</u>	<u>2,553,611</u>	<u>2,656,625</u>	<u>2,682,061</u>	
SURPLUS/(DEFICIT)	32	40	750	506	

		EPISCOPAL DIOCESE OF WESTERN MA					
		PROPOSED 2024 BUDGET					
			Y/E ACTUAL		YTD ACTUAL	2023 ANNUAL	2024 PROPOSED
			2022		31-Jul-23	BUDGET	BUDGET
<u>REVENUES</u>							
Assessment for Common Ministry			\$1,137,067		\$636,685	\$1,090,125	\$1,095,567
Use of Investment - Trustees			\$1,324,680		\$885,009	\$1,504,200	\$1,542,200
Program Income			\$19,945		\$14,685	\$30,250	\$24,000
Other Income and Gifts			\$66,583		\$19,347	\$32,800	\$20,800
Internal Grant Funding			\$5,122		\$0	\$0	\$0
Interest Income			\$254		\$522	\$0	\$0
		TOTAL DIOCESAN INCOME AND GIFTS	\$2,553,651		\$1,556,248	\$2,657,375	\$2,682,567

			Y/E ACTUAL 2022		YTD ACTUAL 31-Jul-23		2023 ANNUAL BUDGET		2024 PROPOSED BUDGET
<u>EXPENSES</u>									
<u>BISHOP'S MINISTRY</u>									
PROGRAMS									
	Communications	Wages and Benefits	\$181,711		\$95,909		\$164,318		\$172,546
	Communications	Business Expenses	\$31,511		\$15,916		\$23,735		\$27,035
		Total Communications	\$213,222		\$111,826		\$188,053		\$199,581
	Social Justice		\$1,177		\$3,820		\$4,000		\$4,000
	Retired Clergy Gatherings		\$2,691		\$3,288		\$3,600		\$3,600
	Special Diocesan Events		\$2,212		\$400		\$4,000		\$3,000
	Wanderings and Special Journeys		\$0		\$422		\$1,200		\$0
		Total PROGRAMS	\$219,302		\$119,756		\$200,853		\$210,181
PERSONNEL EXPENSES									
	Wages and Benefits		\$335,986		\$204,617		\$349,124		\$363,610
	Business Expenses		\$25,431		\$21,288		\$30,327		\$38,700
		Total PERSONNEL EXPENSES	\$361,416		\$225,905		\$379,452		\$402,310
		TOTAL BISHOP'S MINISTRY	\$580,719		\$345,661		\$580,305		\$612,491

		Y/E ACTUAL 2022	YTD ACTUAL 31-Jul-23	2023 ANNUAL BUDGET	2024 PROPOSED BUDGET
CONGREGATIONAL SUPPORT: Mission with Congregations					
GRANTS and SCHOLARSHIPS					
	Clergy Children Educational Grants	\$1,500	\$1,500	\$5,000	\$5,000
	College Scholarships	\$40,675	\$28,275	\$40,000	\$40,000
	Continuing Education Grants	\$1,000	\$700	\$5,000	\$4,000
	Deanery	\$710	\$0	\$1,000	\$1,000
	Ministry Development Initiatives	\$61,310	\$52,779	\$70,000	\$70,000
	Sabbatical Grants	\$26,209	\$7,500	\$25,000	\$10,000
	Total GRANTS and SCHOLARSHIPS	\$131,405	\$90,754	\$146,000	\$130,000
OPERATIONAL EXPENSES					
	Congregational Assistance	\$500	\$1,000	\$2,500	\$2,000
	Transition Ministry	\$5,529	\$2,288	\$4,650	\$4,650
	Christian Formation Missioner	\$0	\$0	\$0	\$0
	Latino Ministries	\$139,386	\$82,505	\$141,838	\$126,522
	Safe Church Training and Prevention	\$5,906	\$3,463	\$5,550	\$5,550
	Stewardship	\$1,000	\$1,199	\$1,750	\$2,500
	Youth Ministry	\$0	\$0	\$0	\$2,500
	Young Adult Ministry	\$18,425	\$8,448	\$14,000	\$2,000
	Total Operational Expenses	\$170,746	\$98,903	\$170,288	\$145,722
PERSONNEL EXPENSES					
	Wages and Benefits	\$132,281	\$92,815	\$159,964	\$156,993
	Business Expense	\$5,735	\$5,120	\$4,500	\$6,000
	Total PERSONNEL EXPENSES	\$138,016	\$97,935	\$164,464	\$162,993
	TOTAL CONGREGATIONAL SUPPORT	\$440,166	\$287,592	\$480,751	\$438,716

			Y/E ACTUAL 2022		YTD ACTUAL 31-Jul-23		2023 ANNUAL BUDGET		2024 PROPOSED BUDGET
FORMATION & LEADERSHIP DEVELOPMENT									
OPERATIONAL EXPENSES									
	Education for Ministry		\$1,750		\$0		\$1,750		\$1,750
	Parish Leadership Day		\$2,760		\$2,100		\$9,800		\$4,500
Formation and Leadership Development			\$19,261		\$10,486		\$24,200		\$22,950
Clergy Conferences			\$14,044		\$20,548		\$22,000		\$22,000
Commision on Ministry			\$4,331		\$5,097		\$7,953		\$7,953
Diaconate Formation			\$4,488		\$7,379		\$6,671		\$7,600
Fresh Start			\$2,313		\$0		\$3,000		\$2,300
Seminarian Assistance			\$8,200		\$10,600		\$12,200		\$9,000
Lawrence House			\$10,000		\$10,000		\$10,000		\$10,000
TOTAL OPERATIONAL EXPENSES			\$67,147		\$66,210		\$97,574		\$88,053
PERSONNEL EXPENSES									
	Wages and Benefits		\$225,129		\$139,272		\$242,620		\$234,753
	Business Expense		\$3,483		\$2,175		\$4,500		\$6,000
TOTAL PERSONNEL EXPENSES			\$228,612		\$141,447		\$247,120		\$240,753
TOTAL LEADERSHIP DEVELOPMENT			\$295,759		\$207,657		\$344,694		\$328,806

			Y/E ACTUAL 2022		YTD ACTUAL 31-Jul-23		2023 ANNUAL BUDGET		2024 PROPOSED BUDGET
<u>MISSION IN THE WORLD</u>									
OPERATIONAL EXPENSES									
	Outdoor Worship Communities								
		Wages and Benefits	\$59,207		\$35,624		\$61,088		\$64,054
		Business Expenses	\$10,048		\$10,000		\$11,000		\$10,000
		Total Outdoor Worship Communities	\$69,254		\$45,624		\$72,088		\$74,054
	Creation Care	Wages and Benefits	\$42,684		\$24,030		\$43,802		\$42,294
	Creation Care	Business Expenses	\$5,686		\$4,549		\$8,151		\$11,400
	Creation Care	Total Creation Care	\$48,370		\$28,579		\$51,952		\$53,694
	Ecumenical Relations								
		Berkshire Organizing Project	\$3,500		\$2,625		\$3,500		\$3,500
		Ecumenical Officer	\$0		\$0		\$1,800		\$0
		Interfaith Council	\$400		\$400		\$400		\$400
		Mass Council of Churches	\$15,000		\$8,750		\$15,000		\$15,000
		Province One	\$9,863		\$4,875		\$9,750		\$9,750
		Total Ecumenical Relations	\$28,763		\$16,650		\$30,450		\$28,650
	The Episcopal Church Apportionment		\$349,690		\$195,325		\$334,843		\$342,474
	Global Mission		\$9,845		\$5,400		\$10,000		\$10,000
	Lambeth		\$6,137		\$0		\$0		\$0
	Sustainable Development Goals		\$10,000		\$7,500		\$10,000		\$10,000
		TOTAL MISSION IN THE WORLD	\$522,059		\$299,078		\$509,333		\$518,873

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		Y/E ACTUAL 2022	YTD ACTUAL 31-Jul-23	2023 ANNUAL BUDGET	2024 PROPOSED BUDGET
<u>DIOCESAN FINANCE & ADMINISTRATION</u>					
	ARCHIVE EXPENSES				
	Wages and Benefits	\$7,086	\$4,276	\$7,296	\$7,692
	Business Expenses	\$145	\$116	\$500	\$500
	TOTAL ARCHIVE EXPENSES	\$7,231	\$4,392	\$7,796	\$8,192
	OPERATIONAL EXPENSES				
	Financial Management	\$32,692	\$27,281	\$31,425	\$33,439
	Property - Plant	\$115,538	\$68,994	\$120,444	\$123,813
	General Operations	\$27,436	\$16,793	\$29,000	\$30,474
	TOTAL OPERATIONAL EXPENSES	\$175,666	\$113,067	\$180,869	\$187,726
	PERSONNEL EXPENSES				
	Wages and Benefits	\$227,026	\$135,757	\$232,463	\$245,244
	Business Expenses	\$3,503	\$1,151	\$4,205	\$3,305
	TOTAL PERSONNEL EXPENSES	\$230,530	\$136,908	\$236,667	\$248,549
	TOTAL DIOCESAN FINANCE & ADMINISTRATION EXPENSES	\$413,427	\$254,367	\$425,333	\$444,468
<u>DIOCESAN AGENCY EXPENSES FOR CONGREGATION SUPPORT</u>					
	OPERATIONAL EXPENSES	\$16,013	\$13,611	\$22,240	\$17,700
	PERSONNEL EXPENSES				
	Wages and Benefits	\$125,120	\$76,294	\$133,408	\$124,247
	Business Expenses	\$1,635	\$1,152	\$1,130	\$2,200
	TOTAL PERSONNEL EXPENSES	\$126,754	\$77,447	\$134,538	\$126,447
	TOTAL DIOCESAN AGENCY EXPENSES	\$142,768	\$91,058	\$156,778	\$144,147
	TOTAL EXPENSES	\$2,553,611	\$1,555,598	\$2,656,625	\$2,682,062
	NET INCOME (LOSS)	\$40	\$650	\$750	\$505