

# Budget and Finances For the Mission of the Church In the Diocese of New Jersey

## Report of the Treasurer to the 220<sup>th</sup> Diocesan Convention

*To: Clergy, Lay Deputies and Alternates to the 220<sup>th</sup> Convention of the Diocese of New Jersey*

*From: Peter Hausman, Treasurer*

*Report to the 220<sup>th</sup> Diocesan Convention on the Budget and Finances for the Mission of the Church in the Diocese of New Jersey*

Dear Friends,

Following this memorandum you will find the Revised Preliminary Diocesan Budget for Fiscal Year (FY) 2004 and the Proposed Preliminary Diocesan Budget for FY 2005, supporting the mission and ministry of the Diocese of New Jersey for the next two years, which I am submitting for your consideration on behalf of the Diocesan Council, the Finance and Budget Committee and the financial offices of the Diocese. Other documents that follow this memorandum describe the current financial position of the Diocese, including preliminary budget results for FY 2003.

### **General and Preliminary Comments.**

As we begin our new life together under Bishop Cancell's episcopacy in the Diocese of New Jersey, we are continuing to focus our finances more explicitly on our mission, and the budget documents are designed to reflect that. Implicit in the Servant Church is the concept that our congregations are outposts in the local community, directly responsible for the church's mission and ministry, and the purpose of the Diocese is to assist the congregations in carrying out their mission.

The budget documents that are presented with this report also reflect the recommendations of the Task Force on Finances that was approved at last year's Convention. That report recommended a new funding formula, under which the basic expenses of the Diocese were funded through a tithe on congregational income, and the cost of the mission and ministry that we do together was funded through an offering of 3% of congregational income above \$50,000 and an additional 3% of income above \$100,000. Accordingly, the FY 2004 and FY 2005 budgets are allocated in two sections: the first includes income that has been pledged or will be requested for the tithe, and allocates that income to the basic operating expenses of the Diocese; the second includes income that has been pledged or will be requested as the offering for the church's mission, and allocates that income to the ministry that we expect to do together. Each section also includes the portion of trust fund revenue that is dedicated to that section's expenses.

Two other preliminary comments are appropriate here. The first addresses an item in our budget that has funded the settlement package that was provided to Bishop Doss when he left our Diocese in 1999. That package included benefits that were paid predominantly over the first three years of that agreement; however, the costs were spread over seven years from the time that Bishop Doss began his sabbatical. Under that funding arrangement, costs for the package would have continued through 2005, with a small amount remaining in the 2006 budget.

However, during the time since 1999, other things were happening in our finances. In each of those years we generated a small amount of surplus revenue, so that, by the end of FY 2003, the surplus revenue that had accumulated since 1999 was sufficient to offset the remaining cost of the Doss package. The Finance and Budget Committee recommended that those surplus assets be applied to satisfy the remaining obligation for the Doss package; the Diocesan Council approved that recommendation, and the cost of the Doss package has now been eliminated from the budget.

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The other preliminary comment addresses the cost of the episcopal search and transition process. That process, of course, ended with Bishop Cuncell's consecration in October of last year. However, because our canons require that we spread the cost for that process over three years from its beginning, regardless of the time that it actually takes to complete the process, some costs remain to be satisfied in the FY 2004 budget. And, since this is the last year in which those costs will be funded, they must include any amount by which the actual costs exceeded budget. When we began the transition process last year, we decided that it was important to the health of our Diocese that we sponsor a large celebration to thank Bishop Joslin for his work here and to welcome Bishop Cuncell to our Diocese. The additional cost of that celebration, added to the remaining cost of the transition budget, leaves us with approximately \$100,000 to settle in FY 2004.

### **The Fiscal Year 2004 Budget.**

The first accompanying exhibit presents the proposed budget for the Mission of the Church in the Diocese of New Jersey in FY 2004 and FY 2005, which are being submitted for adoption by the Convention.

Pledge forms for FY 2004 requested pledges that were calculated under the new funding formula. As of the January 16<sup>th</sup> meeting of the Finance and Budget Committee, we had received responses to the Voluntary Pledge request from approximately three-fourths of our congregations. For the congregations that had not yet submitted a pledge, the Diocesan Council and the Finance and Budget Committee have estimated pledges equal to the amounts that were pledged for FY 2003.

The total amount of tithes that were received or estimated for FY 2004 equals \$2,162,009; the total amount that was pledged or estimated for the offering for the church's mission equals \$496,068. An additional \$39,292 was pledged under the final 1% formula for new work in the Diocese; however, because that amount is reserved for new work, it is not expended through the annual operating budget.

Including trust and other income, the FY 2004 budget anticipates total tithed revenue of \$2,630,891, and total revenue for the church's mission of \$589,736. Following is a detailed explanation of the proposed expenses for FY 2004:

### ***Allocation of the Tithe***

The first part of our budget for the tithe provides \$417,000 in direct support payments to mission congregations – which is the amount that was recommended by the Board of Missions and allocated by the Diocesan Council – and 1% of total parish pledges for support of our Cathedral. The next part of that budget supports our Social and Ethnic ministry. The diocesan entities that are responsible for that ministry requested funding to support their programs; support was provided at between 80% and 100% of the requested amounts.

The next section of that budget supports the diocesan staff, including our new Bishop, whose compensation is determined under his agreement with the Diocese, and our Canon to the Ordinary – who is currently doing a full-time job for part-time compensation, but will shortly be re-retiring, and must be replaced by someone who must be paid a full-time salary. The expenses in that section include the current, partial-year, part-time salary, a partial-year full time salary, plus an allocation to support the search and transition process. Other senior staff received compensation increases equal to the amounts that apply to our diocesan clergy.

Had all of our congregations been able to pledge the full amount of the tithe, we would have had sufficient funding to add senior staff personnel to our staff in FY 2004; however, that did not happen, and any new hiring must now be deferred to 2005. Funding is also provided to support the administrative staff at its current level, and to provide employee benefits to the staff in 2004.

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The next two sections of the tithed budget support the regular administrative expenses of the ongoing operation of our Diocese. The Trustees of Diocesan Trust Funds have approved an arrangement to support capital expenditures through trust fund revenue, so they will no longer be funded through the operating budget; other allocations represent our best estimate of actual costs.

Our obligations for health insurance for retired clergy, their widows and orphans are supported in this section, as are the gatherings of the church within our Diocese, and in the larger church. (Note that the Lambeth Conference, General Convention and the ECW Triennium do not occur annually; these allocations are intended to spread the cost for those gatherings evenly over the intervening years.)

The last item in this section is our tithe to the national church. We are asking each of our congregations to commit to a tithe as the minimum standard of giving to the Diocese, and we believe that a basic standard of equity requires that we commit ourselves to the standard that we are recommending to others. For this reason, a tithe of the total amount of congregational pledges is included as part of the basic expenses of the Diocese. (An additional amount is pledged under our offering for mission, and will be discussed later in this memorandum.)

### ***Allocation of our Offering for the Church's Mission***

This section includes our support for the mission and ministry that we do together, beyond the basic obligations of the Diocese, and our support for new ministry. Because income that was pledged to this part of our budget fell substantially below the amount that was requested, most of the new ministry was deferred to FY 2005; ministry that was supported in FY 2003 will continue to be supported in FY 2004.

#### *Support for Congregations*

Local Program Ministry Grants – new programs that would have provided support for ministries that local congregations wished to undertake, but did not have the resources to support them – have been deferred to FY 2005; new programs for regional ministry studies and the 20/20 initiative have also been deferred. Support for the Congregational Development Committee's work (the Equipping the Servants workshop days), for the Church Reports and for the program and administrative expenses of the Board of Missions have been supported.

Congregational ministries have been supported at or near 100% of the amounts that were requested by the diocesan entities that are responsible for them – except for the Planned Giving program, a new effort that would have provided resources for congregations to begin their own planned giving programs, which must be deferred to FY 2005. Funding continues to be provided to support and develop new and current clergy, including the Commission on Ministry – who will begin a new program in FY 2004 that provides internships for college students who aspire to a vocation in the priesthood – the Deacon Formation Program, and the Fresh Start program for new clergy and clergy who move to new congregations.

#### *Our Ministry Together*

Our communications program will be moving in a new direction in response to our fiscal constraints. Bishop Councill is establishing a Communications Task Force that will develop plans for diocesan communications. The National Ad Campaign, which was approved at last summer's General Convention to begin during Holy Week in 2004, has been deferred by the national church to 2005.

Funding for youth activities – the work of our Youth Director, Kep Short – is increased in FY 2004. A task force has also begun to consider how the Diocese might support ministry to young adults, but that work has not yet reached the point that any programming can be created or funding can be requested. Our ministry at St. Michael's Chapel continues to be supported in FY 2004, but the expansion of support for our educational chaplaincies must be deferred to FY 2005.

We also continue to support our community initiatives at their current level in FY 2004. Expansion of those efforts, and introduction of new ministries, has been deferred.

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Our covenants and agreements are supported in the final section of our budget. The ECUSA Mission Covenant is the second part of our pledge to the national church. Added to the ECUSA tithe, it equals approximately \$500,000 – an amount that, due to our fiscal constraints, had to be cut by about \$100,000 from the full amount of our fair share to the national church, but is still \$100,000 higher than the amount that we pledged in FY 2003. We also support our covenant with Province II, the work of our ecumenical officer, and our Companion Diocese arrangement with the Diocese of El Salvador.

The final line in this budget supports the United Nations' Millenium Development Goals – goals that were endorsed by last summer's General Convention, challenging every diocese and congregation to commit 0.7% of their income to support projects in underdeveloped areas of the world. This comitment has also been deferred to FY 2005.

### **The Fiscal Year 2005 Budget.**

As created by the Finance and Budget Committee and approved by the Diocesan Council, the FY 2005 budget includes the total amount of revenue that would be available if every congregation is able to commit to the full amount of their Fair Share. This approach allows us to hold this budget up as a vision of the kind of ministry that we can accomplish together if the resources are available to support it.

The FY 2005 budget proposes to spend \$3,043,301 on basic diocesan obligations, \$2,568,459 of which would come from congregational tithes, and an additional \$1,031,655 on the church's mission, of which \$937,987 would be funded from the congregational offering for mission.

In the interest achieving some brevity in this memorandum, I will not repeat explanations for expenses in the FY 2005 budget that have already been explained in the previous section. Following is an explanation of the changes in expenses for FY 2005 from FY 2004:

#### ***Allocation of the Tithe***

Direct support for mission congregations is allocated at \$430,000, which is the amount requested by the Board of Missions; the Cathedral is again supported at 1% of congregational pledges. Allocations for Social and Ethnic ministry have been provided at 100% of the requested amounts.

The two new senior positions that were contemplated for FY 2004 have been reintroduced for FY 2005. (Note that these positions are currently defined as Communications Officer and Canon for Social and Ethnic Ministry, because those are the two most frequently-noted needs; however, if different priorities should emerge before 2005, those positions could change.) Support has also been provided to increase the administrative staff.

#### ***Allocation of our Offering for the Church's Mission***

##### ***Support for Congregations***

Local Program Ministry Grants, Regional Ministry Studies and support for the 20/20 Initiative have been reintroduced in the FY 2005 budget. Support for other congregational ministries has been provided at 100% of the amount that was requested.

##### ***Our Ministry Together***

A substantial increase has been provided to support communications, which is intended to fund an expansion of the new communications program that will be recommended by the Communications Task Force. Youth ministry is supported at 100% of the requested amount, and the expansion of college chaplaincies has been reintroduced.

Community initiatives have been expanded to support new efforts in housing and urban ministry. The ECUSA Mission Covenant for FY 2005, combined with the ECUSA tithe, will support our full fair share to the national church.