

The budget committee of the Diocesan Council is pleased to present the proposed 2005 Diocesan Budget to the Diocesan Council and the Diocesan Convention. For six consecutive years, the budget has been provided to Convention Deputies at the earliest possible date. This requires Diocesan Council action on the budget in December, which in turn requires receipt of congregational pledges by December 1<sup>st</sup>. Unfortunately this continues to be a problem. There was some slight improvement in compliance over 2004, however, 25% of our congregations had not provided any information by the deadline. This is far too high a percentage and makes the continued early availability of the budget problematic.

There is also considerable uncertainty about a number of the pledge estimates and the budget committee will make a final review of the 2005 budget just prior to the Convention. If changes are necessary they will be presented on the first day of Convention.

At the 2005 Convention a change will be proposed for the rules of order regarding the budget. Currently the rules of order provide that resolutions on the budget are made immediately after the budget is presented on Friday afternoon. The proposed change will set a deadline for budget resolutions of one week prior to Convention. As with other resolutions there will be a provision for the Convention to accept resolutions after the deadline. If approved this change will go into effect for the 2006 Convention, but we will try this process on a voluntary basis for 2005.

## **Income**

The Diocese of Newark continues to operate on the stewardship model of diocesan giving, which is known as 50/50 giving. The basic premise of this approach is that each congregation has a goal of giving 25% of general purpose income to the diocese and another 25% to other outreach. The Diocese also has a goal of giving 25% to the National Church and 25% to other outreach.

For the first time in many years pledge income is projected to decline. Current estimates indicated that pledge income will be \$95,000 lower than in 2004, a decline of 3.4%. While 30 churches increased the percentage pledge for 2005, 11 churches have reduced their percentage pledge to the diocese. This is significantly higher than 2004 when only two churches reduced their percentage giving. To some degree this is clearly a reflection of the financial problems that are being encountered by many congregations. Unfortunately, however, all, but one of these churches made the decision without any prior communication or consultation with the diocese.

It will be recalled that the 2004 budget marked the first stage of a two year process intended to gradually eliminate the diocese vulnerability to dramatic fluctuations in prior year's surpluses. This was done by using retroactive total return investment income, which will be \$40,000 lower in 2005. Income is also negatively impacted by a projected decline in investment income and the absence of any prior year's surplus from 2003.

A new income line has been added for 2005 entitled restricted income. This represents funding from the Trustees of the Episcopal Fund for the 50% of the cost of the property manager's position and grants from the Gertrude Butts Memorial Home Association for camping and youth ministry programs. These funds are restricted by the donor and cannot be used for any other purpose. This is being added to the diocesan budget to give a clearer picture of overall finances. Funds were provided from both sources in 2004 and the revised 2004 budget has been restated in order to provide a more consistent comparison.

### **Disbursements**

The lower level of income, increased costs of medical insurance and pension benefits along with other expense issues made this a very difficult budget process. In completing this process the goal was to be as consistent as possible with our priorities and to share the pain of expense cuts throughout the budget.

### **Outreach**

A major priority in finalizing this budget was to maintain our commitment to the National Church. This budget proposes giving 25% of pledge and investment income to the National Church. However, for the first time, the income based used to calculate the giving will be reduced by \$100,000. This is part of the National Church's apportionment system that we have not utilized prior to 2005 and reduces our giving by \$25,000. Projected giving to the National Church is also lower because of the projected reduction in both pledge and investment income.

There is also a reduction in the other outreach section of the budget. Under this budget giving to other outreach will be reduced from 8.25% of pledge and investment income to 6.5%. No one is pleased with this step, but it was impossible to balance the 2005 budget without every part of the budget bearing part of the burden. The goal will be to increase this in 2006 and to resume moving toward the 25% goal.

### **Mission and Program**

Expense cuts were also necessary in the mission and program area of the budget. One line that was increased is the Commission on Ministry with the funding going to support those with special needs in the ordination process. Funding for this area was the subject of debate at the 2004 Convention and this proposal recognizes the need and the work of the Commission in preparing its request.

Staff positions in this section of the budget have included the Anand Resource Center, the Commission on Aging, the Youth Ministry position, and the Justice Missioner. The Commission on Aging position was eliminated during 2004 as part of the revisions of the 2004 budget. The goal has been for some time to move the Anand Center position to full time, but this has not been possible and the position will remain at three-quarters time. The Christian Formation line includes the Youth Missioner's position and program

expenses. This position was vacant for the first part of 2004 and this budget reflects the full annual cost. A Gertrude Butts grant will provide \$20,000 in funding for this line.

In revising the 2004 budget, two issues of the VOICE were eliminated. Under the proposed 2005 budget, there will be five issues, four less than in a typical year. Other program funding has been cut back to revised 2004 levels or reduced from the requested amount in order to balance the budget. One line that has increased is Cross Roads Outdoor Ministries, the camping and conferencing joint venture with the Lutheran Synod. This has been a priority of our diocese for a long time and we need to have full funding in the diocesan budget. The difference between the requested and proposed amount will come out of the remaining balance of some camp capital funds. The goal will be for the full amount to appear in the 2006 budget, there is \$10,000 Gertrude Butts grant funding in this line.

### **Staff**

In order to balance the 2005 budget a total of three and one half staff positions have been eliminated. The positions in question are the Assisting Bishop, the Director of Communications and Events and two Administrative Assistant positions. All of these positions will become vacant through either relocation or resignation so that no individual will lose a job. These cuts will mean additional work for existing staff and some cutbacks in what is done by the diocesan staff. The budget also proposes a 3% salary increase for all remaining diocesan staff members; this was reduced from an original 4%. The budget also restores the property manager's position to full time through funding from the Trustees of the Episcopal Fund.

As part of the revisions of the 2004 budget, the staff began paying 10% of the cost of their medical insurance. This will continue in 2005 and will absorb a portion of a 10-15% increase in the cost of medical insurance. A new line has been created for a contribution to the lay employees pension plan. This is a defined benefit pension plan, which has been over funded for many years and did not require any contribution to the budget. Projections indicate the need for an annual contribution of \$45,000; this represents a first step towards providing the full amount in 2006.

### **Operating Expense, General Expense and Conventions and Other Meetings**

As in 2004 every effort was made to limit expenses in these categories while at the same time taking care of all necessary items. Because of litigation and threats of litigation it has become necessary to include an annual amount for legal fees in the budget. Group medical insurance is projected to increase as we gradually absorb the full cost of medical insurance for clergy widows. Most of this cost has been absorbed by other sources in the past, but need has exceeded the available funds and this needs to be incorporated into the budget.