

MEMORANDUM

Date: March 6, 2009

To: Members of Synod

From: Diocesan Treasurer & CFO

Re: **2009 Proposed Budget**

Attached is the 2009 Proposed Budget which was approved by the Financial Advisory Committee on February 17th, 2009 and presented to Synod Council at their March 3rd 2009 meeting.

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 simply an interim step towards realizing the vision of Bishop Michael Bird. We have made some reductions in specific expense categories to make funds available to address two specific needs at this time. The first pertains 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 is the beginning piece of addressing the DM&M structure that currently exists and moving to a new model. There will be \$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.

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

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- < There has been a no change in the Diocesan Mission & Ministries rate used to calculate the former assessment figure. The current rate of 32.83% remains unchanged for 2009. The projected DM&M amount used for 2009 budget purposes is net of the \$150,000 that has been set aside to assist parishes as mentioned above.

- < Investments have performed very poorly in 2008. The amount of our investments have 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 Episcopal Expenses/Discretionary have been reduced by \$10,000 to \$40,000 as the Bishop has determined this is an adequate level for his needs.
- < The Director of Human Resources salary and benefits have been brought together and now displayed in this area of the budget.

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- < Salaries and benefits for the Program area have also been brought together and are displayed in this area of the budget along with the Director of Stewardship & Financial development.
- < The Louisa Parke Fund was totally drawn down during 2005. However, the commitment for a number of retired clergy remains. The \$48,000 amount represents the total monies required, for this purpose, in 2009. It is less than budgeted for 2008 and it will continue to reduce over the coming years.
- < The Treasurer's salary line has been reduced to reflect the portion that is being paid by the Anglican Church Ministries Foundation, Niagara. This reflects all of the work that is being done for the ACMF, Niagara including management of the various funds and seeking new funds from both parishes and individuals.
- < The Investment Fund Administration Transfer represents the fee charged for the administration of Diocesan investments. The service fee transfer projected for 2009 is less than last year as the parish rectory funds are now invested through the ACMF, Niagara.
- < The Personnel Transition and Severance budget line has remained at \$265,000 which is the same level as 2008. 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. For 2008 we are running well over budget but at reduced rate compared to 2007. We are hopeful that the 2009 expense amount will be in line with the budget.
- < 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.

- < A new category has been added 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 14th, tabled a motion to implement a plan to charge interest on Diocesan aged receivables older than 90 days. It was expected this matter will be dealt at our fall Synod. 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 \$50,000 per year and be an offset against interest charged on our bank operating loan.

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- < There have been some minor changes in selected Administrative Expenses where small changes were required or reductions available.
- < The Cathedral Place Building section has been changed so that it reflects all of the costs associated with the Cathedral Place property. Although they look greater than the approved budget for 2008, it only included the Diocesan share. Whereas actual costs include all the property related costs. We have moved to a usage charge for the Cathedral rather than a percentage cost sharing formula.
- < The insurance budget amount in particular appears much larger but that reflects the significant value of the Cathedral itself which was formerly being paid for by Christ's Church.
- < The daycare is paying rent of \$3,000 per month and this is now reflected within the total budget for Cathedral Place.
- < 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 have discontinued that this year 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.

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- < Youth Ministry, Program Administration and Support along with Children and Youth Ministry costs have been reduced where possible.

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- < Under the Canterbury Hills category the Parish Usage Support has been eliminated. A number of years ago this item was \$25,000 but declining usage has seen it reduce dramatically over the years. Also the amount allocated for Capital Costs has been reduced.
- < Regional Expenses have recently only been used by two regions and this item was removed from the budget to free up those dollars.
- < Clergy Development & Education has been reduced in the Divinity Student's category as the number of students has declined from previous years. The Fresh Start categories were unused last year as the wages for that person were

included elsewhere.

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- < Clergy Leadership & Support has been reduced in a couple of areas where funds were available.

- < Support for the Niagara Anglican has been reduced to \$25,000. It has been an ongoing challenge to control costs in this area based on the continuing increase in mailing and production costs. However we need to better control production costs and increase our advertising revenue.