

MISSION PRIORITIES

Bishop Megan's priorities continue to be:

- Increasing capacity for our leaders to strengthen mission and ministry in their local context.
- Evangelism: Rooted in strong faith development for all ages, discipline of prayer using the Book of Common Prayer and Scripture.
- Practical tools for ministry and mission available to clergy and lay leaders.

Priorities in developing the 2023 budget included:

- Continuing support for diocesan programs.
- Support to develop new training for Deacon postulants, in partnership with the Episcopal Dioceses of El Camino Real and San Diego.
- Continuing support for The Belfry ministry at UC Davis.
- Support Pathways Youth Pilgrimage.
- Give opportunities for connection and relationship building.
- Support of small and large churches through Best Skills Best Churches non profit management training.
- Fund communication hubs throughout the Diocese.
- Fund the Racial Justice Audit process as approved by the 2021 Diocesan Convention.
- Budget within the diocesan investment spending policy.

Diocesan programs, ministries & commissions were asked to submit their proposed budgets and the Office of the Bishop used these proposals to develop a draft budget that met as many of these goals as possible. After a cycle of reviews, the final budget was reviewed by the Budget and Finance Committee and forwarded to the Board of Trustees for approval. The 2023 Operating Budget was approved by the Board of Trustees at its August 24, 2022 meeting.

Investment Spending Policy

In 2021, the Board of Trustees adopted an investing spending policy that calculates an annual revenue from investments that can be used for operating expenses. This calculation uses a 12-quarter historical average of the unrestricted reserves and a 12-quarter historical average rate of return adjusted for inflation to determine the funds available for each year's operating budget.

You will see this reflected on line 6 of 2023 Budget Summary.

You will note that the 2023 budget does show a deficit of \$45,367 (Line 30). While the Board of Trustees' goal was to have a balanced budget, in order to meet the other priorities outlined by the board and the 2021 diocesan convention, the Board of Trustees approved a deficit budget using a portion of the current \$8.5 million in unrestricted reserves rather than eliminating support needed to achieve the other priorities in the budget.

Comments on the 2023 Operating Budget

To see the figures associated with the following comments, please refer to the line numbers below as shown on the 2023 Operating Budget.

INCOME

Mission Apportionment is projected to increase by 2%. This increase is based on the 2022 actual apportionment figures as churches begin to return to normal operations after the pandemic Line 1

Income and expenses for St. Matthew's Center are projected to be equal meaning there's no net cost to the diocese to operate this outreach program. Lines 3-6

The position of the Missioner for Disaster Resilience continues to be covered by grants from Episcopal Relief and Development and Diocesan Disaster Relief funds through August 2023. We hope to receive additional grant funding in 2023 to continue to fund the position. Lines 7-9

DIOCESAN OPERATING COSTS

Personnel:

Overall personnel costs include a 5.3% cost-of-living increase and a projected 8% increase to benefit costs. In addition, the following staffing changes are included in the 2023 budget.

The 2022 budgeted half-time interim Canon to the Ordinary position and quarter-time Transitions Ministry Officer are being consolidated back to a full-time Canon to the Ordinary Position. Line 17 & 29

While the projected grant income for the Missioner for Disaster Resilience only covers the cost of the position through August, we are budgeting that we will continue to fund the position for the full year Line 24

The Missioner for Church Life (formerly Missioner for Evangelism and Discipleship) was budgeted as a new position in 2022. The position was recently filled and has been budgeted as a full-time position in 2023 Line 22

Operating Costs:

In 2022, the Board of Trustees approved a proposal from the Disaster Resilience team to create a network of communications hubs around the Diocese to provide a backbone for communications during emergencies and as a backup to traditional communication networks. Line 34

Due to increased costs of fuel and inflation, as well as a return to pre-Covid travel, Hospitality and Travel costs are expected to increase by 25% Line 37

The lease for the offices of the Office of the Bishop expires in 2024. The Bishop and Board of Trustees has begun exploring options for meeting the future needs of the Office and its staff. Line 41

Governance:

Diocesan Convention costs continue to increase as inflation and post-Covid venue costs have dramatically increased. Line 46

Although there are no 2023 expenses associated with General Convention or Lambeth conferences, you will note in the reserves section of the budget that we are setting aside funds to cover future events. Lines 47-48

The Board of Trustees has committed to a strategic planning process and has budgeted funds in 2023 to start the process Line 50

PROGRAM EXPENSES

Youth and Young Adults:

Continued support of the Belfry at U.C. Davis in partnership with the Lutheran church Line 54

Although Pathways did not happen in 2022 due to continuing concerns about COVID-19, plans are to return to an in-person Pathways experience for our youth in 2023 Line 56

Outreach:

As mentioned in the income comments, St. Matthews Center is fully funded by donations and rental income with no net cost to the Diocese Line 63

Congregational Development & Support:

Best Skills Best Churches program continues to be presented online and subsidized by the Diocese to encourage more people to attend. Line 67

The budget for Deacon Formation has been increased to develop new training for Deacon postulants, in partnership with the Episcopal Diocese of El Camino Real, using the Iona Collaborative. This increase is offset by a draw from the Archdeacon Fund for Education as shown on the reserve transfers. Line 69

The expenses for the Missioner for Disaster Resilience are based on the funds available from the current grants received for the program. The amount available for 2023 will change depending on the extent that funds currently budgeted in 2022 are not spent or additional grants received in 2023. There are no budgeted expenses for the program that are not covered by grants. Line 78

In 2021, the Diocesan Convention approved Resolution R3-2021 which urged the Board of Trustees to devote no less than 1% of the annual budget to funding a racial justice audit. Based on the approval of this resolution and a projected budget submitted by the Commission for Intercultural Ministries, the Board of Trustees approved a \$32,400 budget to begin the racial justice audit in 2023. Line 92

RESERVES

The Board includes annual reserves in the operating budget to set aside funds for future or recurring projects. In the year an expense is paid, the board releases funds from the reserves to offset the cost of the expense. This helps avoid spikes in the annual budget for events or costs that do not occur every year.

As shown on lines 20-28 of the Budget Summary, positive figures represent funds being set aside for future expenses including items such as General Convention, Lambeth Conference, Bishop Search, etc. Negative items represent a release of previously reserved funds offsetting expenses that are shown in the operating expense section of the budget.