



**Know Jesus. Change the World.**

**The Episcopal Diocese of Pennsylvania**

## **The Wages of Love**

### **The Revenue and Spending Plan for 2019 for the Ministry of the Episcopal Diocese of Pennsylvania**

**“Walking out into the World...Turn hearts of stone into hearts of flesh”**

We are honored to present to you the extensive work of representatives of the ‘stakeholders’ in our Diocese to practically balance the financial support of the ambitious ministry of the Office of the Diocese with the generous cash contributions of our parishes.

This year’s Budget represents the third in the mutual ministry of financially supporting our Bishop’s vision and ministry: the 2017 Budget largely followed the spending priorities of the previous year, and the 2018 Budget introduced an innovative and creative restacking of the Offices, and introduction of the Growth Development Funds, but, as we have said, no increase in asks from parishes. The 2019 Budget is a unique reflection of Bishop Gutiérrez’s theology of LOVING manifest as stewardship and his fierce commitment to fiscal responsibility, transparency and accountability.

#### **I. Know Jesus. Change the World. *[Bishop’s Theology of Stewardship]***

The work of the Offices of the Diocese have been almost entirely restructured in the last year to support the Bishop’s mission to Know Jesus and Change the World. He’s dead serious about this stuff...and has an ambitious, thoughtful plan for the collective work of proclaiming the gospel, empowering our churches, and addressing pain and poverty in the world.

##### **Proclaiming the Gospel**

- + increases funding of collective Diocesan ministries
- + increases support and efficiency of communication for and among parishes
- + increases ability for of the Bishop and Canons being out among the flock
- + supports churches and clergy for our neighbors who cannot yet sustain themselves
- + promotes growth in Hispano/Latino ministries.

##### **Empowering our Churches**

- + supports the Growth Development Fund for grants to churches established this year by re-organizing staff featuring more Canons with specific focus

##### **Addressing Pain and Poverty in the World**

- + increases funding of collective Diocesan ministries
- + increases our participation in and engagement with The Episcopal Church ministries



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This ambitious plan had to be balanced against the reality of our recent and present financial circumstances, notably

- ⇒ the Diocesan budget has run at a deficit for the last five years and this is simply not sustainable
- ⇒ the increased cost of building the Kingdom through the work of our Missional Congregations
- ⇒ our churches struggle to increase their contributions commensurate with the increase in Diocese commitments
- ⇒ the Diocese is not currently meeting its financial commitment to The Episcopal Church and cannot be considered “in good standing” until we fulfill the annual assessment.

The Budget, Finance and Investment Committees have worked closely with Standing Committee, Diocesan Council and the Office of the Diocese to identify a creative and pastoral path out of this gap. Notably by:

- ⇒ redressing weaknesses in the budget model and structure
- ⇒ offering maximum transparency of Diocesan financials
- ⇒ reducing and restructuring staff to serve congregations while keeping costs flat
- ⇒ increasing our participation in and engagement with The Episcopal Church
- ⇒ enhancing income opportunities from DioPA church properties
- ⇒ establishing Growth Development Fund for grants for local ministries
- ⇒ identifying Endowment funds available/appropriate for direction/distribution to temporarily meet budget gap
- ⇒ holding Sacred Gifts for Support (formerly *Assessments*) to 2017 levels while making substantial grants available to churches

## **II. Loaves and Fishes**

*[Details of Spending Plan]*

- Two Thirds of the Budget is Mission ~ Sacred Gifts for Mission (formerly *Pledges*) expected to be the same as 2018.
  - ✓ Missional Congregations (previously *DCMM*) represents the biggest expense in the Mission budget. [Compensation for Vicars includes increases in compensation to attract specific expertise/demographic and in health care benefits].
    - New process established and presented to Diocesan Council in September for more targeted approach, support, and accountability



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- Since the DCMM program was created, this is the first comprehensive restructuring of the way in which we facilitate the support of essential ministry.
- St. Stephen's, Philadelphia and St. John's, Norristown and St. Jude and the Nativity are restarts
  
- ✓ Youth Ministries is lower due to outsourcing
- ✓ Diocesan Ministries including Hispano/Latino ministries, anti-racism, veterans; connected to potential for growth in these communities
  
- Mission is running at a deficit (\$1,064k) that the DioPA is covering now, but needs to be balanced with parish support in successive years
  
- Congregational Support includes consultants for parishes specific needs
  
- Parker Bulmer Fund is a dedicated endowment fund for senior outreach, currently managed by ECS
  
- TEC assessment allocation must increase each year. We are the largest diocese failing to meet its obligation; had to get exception to be seated at General Convention
  
- Increases in Spending Plan
  - ✓ Diocesan Ministries including Hispano/Latino ministries, anti-racism, veterans; connected to potential for growth in these communities
  - ✓ TEC Assessment is the largest increase to the budget (\$150k = \$75 for '18+'19)
  - ✓ Staff expenses are largest expense, but held flat for 2019 despite increased costs
    - Position cuts
    - More Canons for support to parishes; less 'support' to Bishop staff ☺
  - ✓ Rental expense is significant but in the last year of the lease, SC Committee formed to identify next steps.
  
- Decreases in Spending Plan
  - ✓ Support from the Offices of the Diocese (formerly called Administration) held to 2018
    - Costs held to 2018 despite pay and healthcare increases
    - No pay increase for Bishop for second year
  
- Increases in Revenue
  - ✓ Endowment distribution at 4.4%
  - ✓ Transfer of previously under-distributed funds



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- Grants to congregations = programmatic grants awarded by Diocesan Council
- Net no change for *Closed Church*: four churches currently closed; looking for new ministry or reuse + Wapiti being used for rentals and open to sale and/or new envisioning

### **III. Thistles**

- \$900k deficit (2017 \$293k deficit with 5<sup>th</sup> endowment distribution effect removed, 2018 \$200k deficit est.)
- transfer from endowment is not unprecedented, nor taken lightly. Funds identified for transfer had been accumulating without being distributed because of legacy issues. We do not anticipate 'finding' more under-utilized assets, and the investment portfolio has outperformed expectations (past and future) giving us more financial support than we should anticipate in the future. Our endowment's average annual rate of return for the last 5 years 9.08%, which, net of fees, = 8.7%. The average annual rate of return since inception of the fund (11/07) is 6.25%. The expectation of return for 2019 is 6.5% to 7.5%
- TEC assessment: 2018 \$880 ask vs \$365 budgeted plus proposed \$75k for 2019
- Dedicated Mission Revenue down primarily due to outsourcing of Servant Year to St Mark's and St. James School. (~ no Revenue + support fee of \$20k in Expenses]

### **IV. Conclusion: Managing from Abundance, Crafting with a View toward Building the Kingdom, bridging the gap with pastoral care and all fueled by LOVE!**

~ Bishop is being pastoral – not unlike a parent sending son off into the world – wanting to finance growth, willing to accept some setbacks, willing to take some hits to the long-term savings portfolio for financing transition and growth that is reasonable and necessary.

[Had to hold compelling, competing objectives loosely; this is important year; Bishop continues to be sensitive to constraints of parishes, but intensely mindful of fiscal responsibility for stewardship of next three years]. We need to prioritize working together to establish a balanced budget, but the Bishop appreciates the early years of his Episcopacy should have relief and growth while he establishes and gets [buy-in] on his vision.

- a. Expand Mission
- b. Increase support to parishes
- c. Manage growth efficiently
- d. Prepare for balancing the budget ~ fiscal responsibility



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- e. All with a Commitment to transparency – unified budget including the vital ministry of property management [accountability]

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*And I will give them one heart, and put a new spirit within them. And I will take the heart of stone out of their flesh and give them a heart of flesh”*

*Ezekiel 11:19*

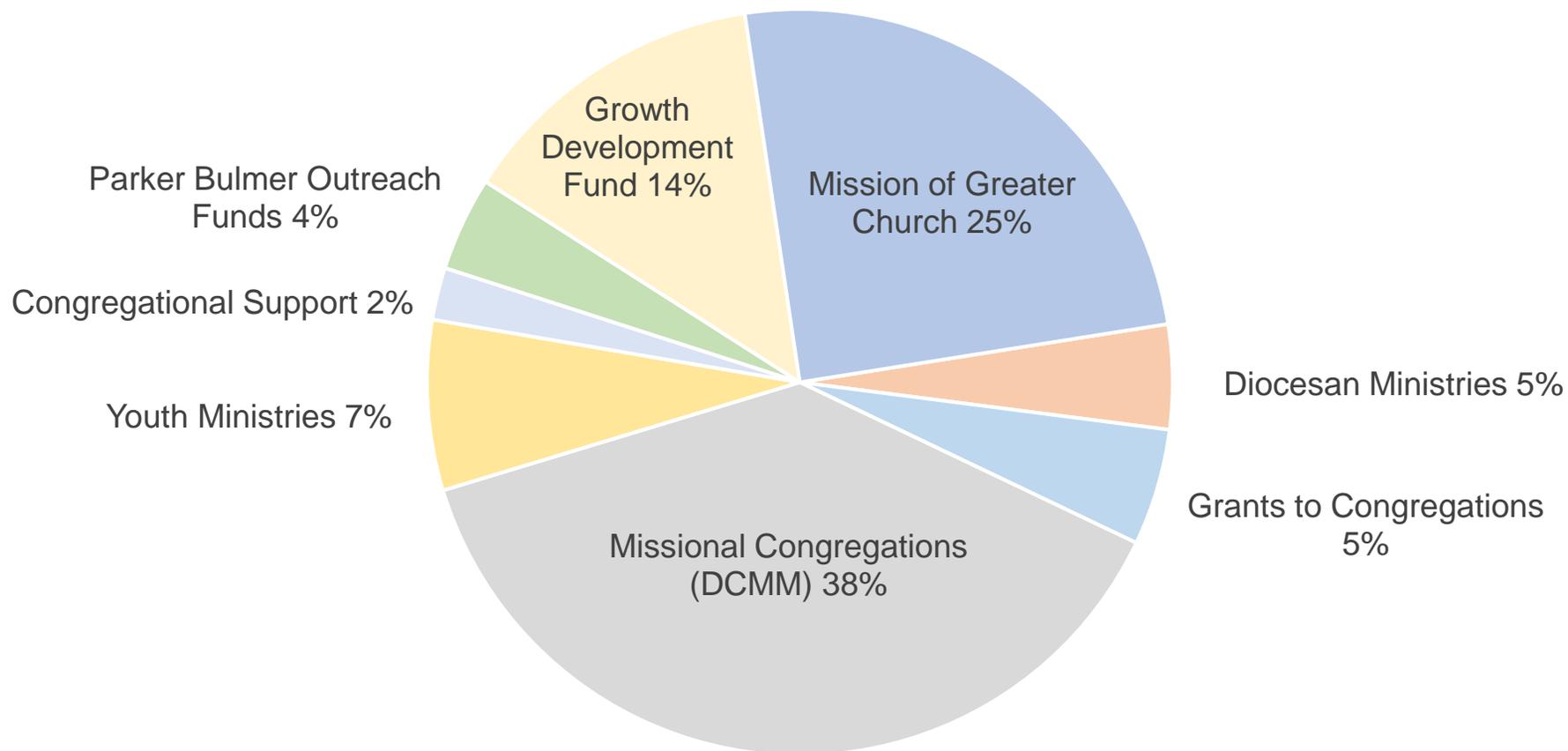
*"Insofar as the church is truly the church its members bear fruit in a life of stewardship. ... a living organism."*

*The church is summoned to realize its true nature and mission by being the body of Christ ... whose voice, hands, eyes and total being is doing Christ's work of love. "To describe the church as the body of Christ is to describe the church as living out the meaning of Christian stewardship.*

2019 Budget Committee:

The Rev. Mike Rau, Chair – Holy Nativity, Rockledge  
James Pope, Diocesan Treasurer – St. Paul's, Chestnut Hill  
The Rev. Elizabeth Costello – St. Thomas, Whitemarsh  
The Rev. Sara Hedgis – Philadelphia Cathedral  
The Rev. Jo Ann Jones – Redeemer, Bryn Mawr  
Kirk Muller – Redemption, Southampton  
Eric Rabe Standing Committee Secretary – Redeemer, Bryn Mawr  
Tamika Rodriguez – Holy Innocents St. Paul's, Tacony  
The Rev. Cesar Ramirez Segarra – La Iglesia de Cristo y San Ambrosio

# 2019 Mission Budget

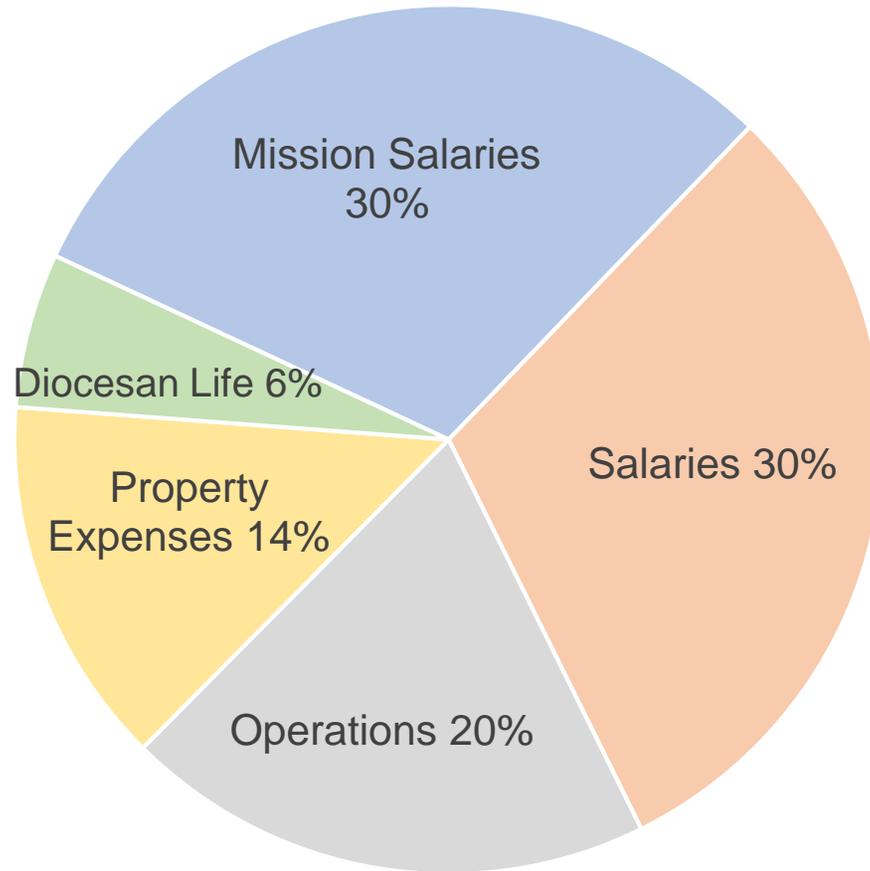


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*Please send your questions & comments to Doug Horner, Canon for Finance, at [dhorne@diopa.org](mailto:dhorne@diopa.org)*

# 2019 Support Budget

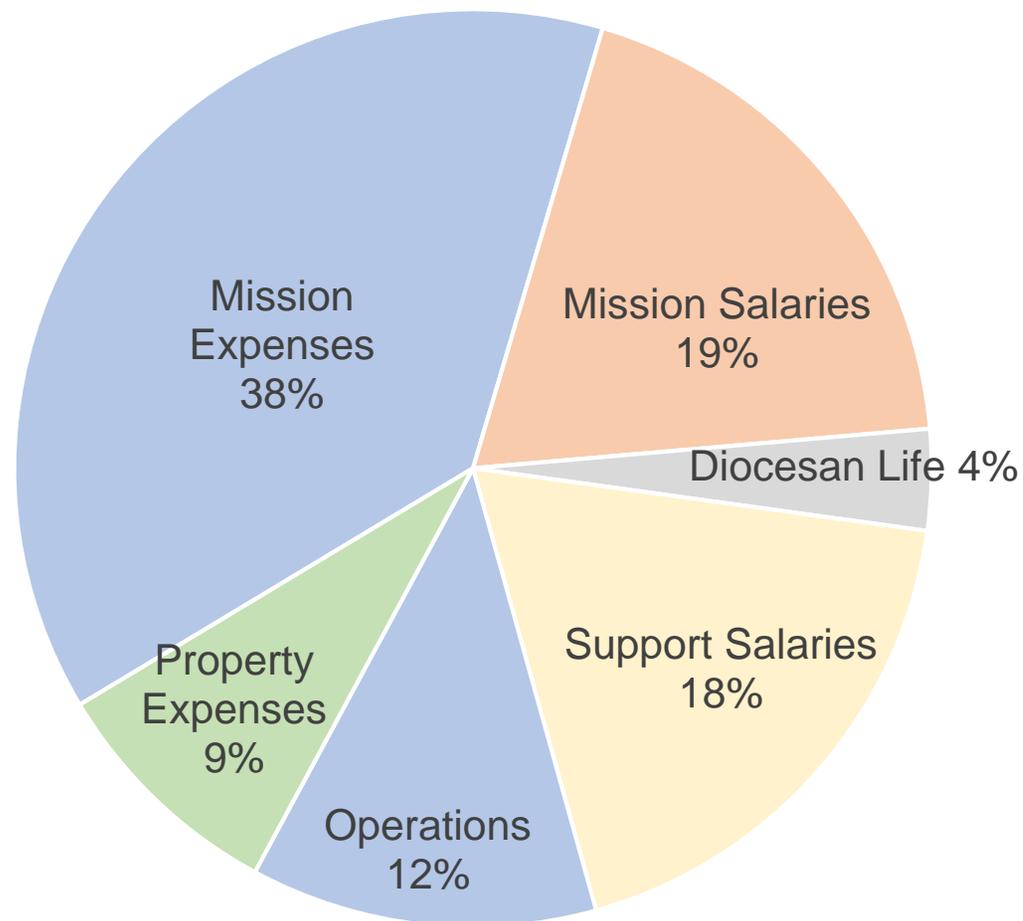


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## Proposed 2019 DIOPA Total Budget



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