

**DIOCESE OF EL CAMINO REAL  
NARRATIVE FOR THE PROPOSED DIOCESAN 2024 BUDGET**

**I Introduction**

The Diocesan budget is deeply rooted in our faith. Thus, we believe its primary function is to help fulfill God's plan for us. It is also important to remember that it is really our congregations' money given to the diocese with confidence it will be spent wisely and in support of our mutual faith-driven Mission, Vision and Values.

*Mission* is: ". . . to strengthen local ministries and connect our common life with the wider Church and the world."

*Vision* is: ". . . to strive to be a resilient and dynamic Gospel presence, empowering people to lead faithful lives in a rapidly changing world."

*Core Values* tell us how we intend to live our faith as we work to implement our Mission and achieve our Vision of what our diocese can become. (Christ-Centeredness, Reconciliation, Passion, Integrity, and Innovation & Creativity.)

**II Executive Summary**

The impact of Covid-19 is almost over! We continue to pursue a sustainable, balanced, 2024 budget that ensures the vitality of ministry in the Episcopal Diocese of El Camino Real. For 2024 that means a Diocesan Operating Budget of \$1,514,943 for a 8.7% increase over the 2023 budget. Much of this increase is due to the reinstatement of services, travel and programs after Covid.

**III. Why A Narrative Budget?**

This narrative budget is intended to increase the reader's understanding of the 2024 budget and its components. To the best of the committee's ability, it provides detailed, written, explanation of each line item for review and consideration.

**III. Budget process, overview and oversight**

The Diocesan finance committee also serves as the budget committee. Thus, this budget reflects the collective wisdom/knowledge/input from the finance committee, treasurer, congregational support personnel and Bishop.

In June of this year, the finance/budget committee evaluated 2024 budget requests from program chairs, operating expense estimates from diocesan support personnel, personnel compensation requests from the Bishop with recommendations from the personnel committee and income assumptions from the treasurer. After careful deliberation, the budget was drafted. Per protocol, the draft budget was presented to the Board of Trustees (BOT) for review, comment and approval at the June 2023 meeting. The BOT unanimously voted to recommend the 2024 draft budget, as presented, asking the committee to recommend additional sources of income to cover the projected deficit. At the July BOT meeting the committee recommended using \$75,000 of the interest earned on the proceeds from the sale of Saint Mark's, Santa Clara to bridge the 2024 gap. The BOT approved the use of these funds for 2024.

As always, the budget is based on a future we cannot accurately predict. Therefore, we have designed it to be a resilient document responsive to responsible updating. Each month, the finance committee carefully reviews the Statement of Activities noting any variances in income and/or expenses vs budget. The finance committee chair and treasurer report the finance committee's findings monthly to the BOT. Any significant variances from budget are discussed and remedies presented.

#### **IV. 2024 Income**

*Line #6: Designated income* - endowment income for designated program purposes, 14% of total income, and a 42% increase over 2023.

Income is earned on the corpus of each endowment areas (General Purpose, Mission Activity, Seminarian and Clergy Education, Education and Diocesan Enhancement) and, according to policy, we do not make distributions from the corpus of any fund. Our auditors advise us to spend the income portions of these funds as they are intended (Education, Mission, General Purpose etc.) and on an orderly basis. Therefore, endowment income is allocated to specific budget line items (ministries) that are, as much as possible, in keeping with the intent of the original designation. Transfers from each specific fund area are presented to the Board of Trustees for approval.

*Line #10: Other income* - interest and other (not meaningful %)

*Line #15: Total Undesignated/Unrestricted income* consists of the following:

*Fair Share* - regular monthly, formulaic, congregational payments to the Diocese.

*Fair share true up*: catchup payments calculated at the end of 2023 and recorded at the beginning of 2024.

*Operating Reserves*: Funds used to offset any operating deficit at the end of a fiscal year; surpluses are added to the reserve. Longer term, our goal is to build up the reserves to an auditor-recommended \$250,000. The current balance of our operating reserve is \$119,142. In addition to the reserve, we carry a cash balance in the checking account more than adequate to cover day to day cash needs.

#### **V. 2024 Expense: Office of the Bishop**

Expenses for the Office of the Bishop are divided into three sections: personnel, office & operating and sinking funds.

Lines #20-22: *Bishop's Compensation/Benefits* – Total Bishop's compensation broken down into its three components, as reported to the finance committee.

Lines #63-67: *Staff Compensation/Benefits* – Total Staff (employees of the Diocese) compensation broken down into its three components, as determined by the Bishop and reported to the finance committee.

Note: *Pensions* - Like it does for all clergy/staff employed in the Diocese, the Church Pension Group (CPG) determines what % of salaries are contributed to the pension plans. Currently it is 18% for clergy; and 9% for lay employees. This is a required expense.

Note: *Benefits* –100% of whole family health/dental benefits are provided.

Note: *Merit Pool* – This is akin to a bonus pool, applied at the Bishop’s discretion for Diocesan employees.

*Line #70: Total Bishop/Staff Compensation/benefits* - The Bishop determines this portion of the budget including approving the Cost-of-Living Adjustment (COLA) which, for 2024, is 4.0% as recommended by the Diocesan personnel committee. All of the personnel in this section are employees of the Diocese.

*Line #83: Contract Personnel* –Personnel in this category are not employees of the diocese but outsourced services. The major expense in this category is bookkeeping services.

*Line#96-103: Other personnel Expenses* – Included in this line are travel, continuing education, background checks, payroll services, worker’s compensation and miscellaneous expenses. These expenses are budgeted to be higher in 2024, due to a return to pe covid activities.

*Line #108: Total Personnel* - Total personnel expenses in 2024 are estimated to be slightly higher than 2023 due to COLA increases.

*Line #111-127: Office and Operating Expenses* – Total operating expenses of the Diocese. The increase over 2023 also due to a return to pre-covid activities.

*Line #131-137: Sinking Funds* - Sinking Funds are used to accumulate monies for expense categories where funding is needed on an irregular basis. They act as “savings accounts” for specific purposes. Usually, these categories are funded through the operating budget annually, thus spreading the cost over several years and making the cash outlays more manageable when they occur.

*Line #142: Total Office of the Bishop* – Total expenses for 2024 are projected to be approximately 9.6% higher than estimated 2023 driven by COLA increases, the reinstatement of sinking fund funding and a return to pre-Covid activities.

## **VI. 2024 Expense: Programs**

*Line #149: Total Missional Grants Committee* – This is the largest program our diocese undertakes. The Missional Grants Committee has adopted a practice of combining all the funding sources over which they have authority. The \$190,000 allocation from the operating budget funded part of the total \$385,060 that the Missional Grants Committee granted in 2023. The other sources include the Mission Opportunity Grants, Partnership Grants, income from the Mission Activity Board-designated endowment and Rehabilitation Ministry Grants.

*Line #157: Total Education Ministries* – This allocation is used to provide education, formation and training opportunities for both clergy and lay people.

*Line #166: Total Ministry to Congregations and Clergy* – This allocation has been maintained as other funding sources, outside the operating budget, continue to be available. This program’s total funding will not be reduced due to these other sources.

*Line #171: Total Special Ministries* - This allocation was reduced in 2022 due to two college chaplaincies on hiatus. This has now been restored and another college added. The commitment to Santa Maria Urban ministry has remained unchanged.

*Line #179: Mission Beyond the Diocese* - This is our diocesan giving to The Episcopal Church (TEC) and is based upon a two-year look-back formula of our diocesan income.

*Line #181: Total Diocesan Programs:* Budgeted 2024 program expenses are the same percent of total expenses vs 2023.

*Line #183: Total Expenses (Office of the Bishop and Programs):* This line is the total of all expenses of the Diocese.

*Line #184: Surplus/Deficit* – Line #16 (Total Income) less line #183 (Total Expenses) equals the surplus or deficit for the Dioceses as a whole. As a non-profit organization, our goal is to budget \$0 on this line if possible. Any surplus is added to the reserve; any deficit is subtracted from the reserve.

*Line #186: Non-recurring income* – By definition, non-recurring means a one-time addition or subtraction to the surplus or deficit (line #181). The 2024 non-recurring income is the additional income needed to balance the budget and approved by the BOT. It is sourced from the income earned on the proceeds from the 2022 sale of the Saint Mark's property.

*Line #188: Total Surplus/Deficit* – With the addition of the non-recurring income (line #186) we estimate a surplus for 2024. There are many variables affecting this total that may be adjusted during the year.

**VII. 2024 Fair Share Formula** – The current Diocesan fair share formula is 10% of the first \$206,000 of a congregation's Net Disposable Budgeted Income (NDBI) and 20% of any NDBI over \$206,000. The 2014 Convention directed the Finance Committee to regularly evaluate this formula in order to determine if/when a change might be in order and report its findings and recommendations to the annual Diocesan Convention. No changes are being considered or recommended by the Finance Committee or the BOT or the Bishop or anyone else at this time. Thus, the current Fair Share formula should be continued in 2024.

**VIII. Questions or Comments** – For questions or comments please contact:

Budget Chair: Sue Ramar – [sue.ramar@gmail.com](mailto:sue.ramar@gmail.com)

Treasurer: Joanna Shreve – [jrshreve@aol.com](mailto:jrshreve@aol.com)

*Your Finance/Budget Committee*

*Joanna Shreve – Treasurer*

Treasurer of the Diocese for 16 years; member of the Diocesan Budget Committee for 18 years, including two of those years as Chair; 18 years as Finance Administrator of St. Timothy's, Mountain View; Treasurer of Santa Maria Urban Ministry for 26 years; Treasurer of Resounding Achord Productions for two years.

*Suanne Ramar – Budget Chair* Member of the finance committee (FC) for more than 14 years; chair of the FC Front Porch (aka Episcopal Senior Communities); past chair FC/ past president of the board of directors/chair of the audit committee Pacific Clinics (aka Uplift family services); profession – investment manager at Bailard; MBA Haas business school, UC Berkely, Chartered Financial Analyst (CFA)

*Art Pasquinelli – Finance Committee Chair* Member of the FC for 29 years. Currently works as a small business management consultant. Prior to that was CFO and CEO of an electronics company in Monterey.

*Lisa Gonzalez* - Lisa is an Enrolled Agent, licensed to represent clients before the IRS. She earned a MBA at the University of Redlands, is a graduate of the National Tax Practice Institute, and holds an Advanced Certified Non-Profit Accountant designation from the Financial Management Association. She also serves as the Treasurer of St. Benedict's Episcopal Church, Los Osos and serves on numerous non-profit organization boards in the San Luis Obispo area.

*Dave Mora*

*Richard Smith*

*Nancy Limon*

*Joel Martinez*

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