

Diocese of El Camino Real 2025 Budget narrative

As described at last year's convention, 2024 was planned as a bridge year. An important part of that bridge year was also an evaluation of the Fair Share formula. We needed to look at all our sources of income with an eye toward decreasing the Diocese's dependency on Fair Share at its current rate and still finance our valued programs.

By way of history, the Budget Committee presented a first draft of the 2024 budget to the Board of trustees (BOT) showing a deficit of almost \$60,000. The Board approved the draft budget pending a recommendation from the Budget committee about how to finance that deficit.

At the next Budget Committee meeting, the Bishop proposed, and the Committee agreed, that 2024 would be a bridge year, by which we meant, the solution to the deficit would be a one-time remedy followed by a permanent solution in 2025. The recommendation was to use some of the 2024 interest earned on the Saint Mark's property sale proceeds to cover the shortfall. This use would mirror the 2023 distribution of earned interest to individual parishes. The Board of Trustees approved the 2024 bridge year budget with this deficit remedy. The 2023 Convention also approved the budget including the deficit coverage.

A permanent solution to our budget issues is next. The 2025 draft budget is the result of many long hours of task force work to 1) review the Diocesan endowment structure and how it could be improved, 2) revise the budget format to more accurately reflect the current operating structure and 3) review the fair share formula to make it more responsive to current parish needs.

After several informational workshops with the budget/finance committee and the BOT, the BOT approved the 2025 budget for presentation to Convention. The Board also approved a restructuring of our several endowments, including the Saint Mark's property proceeds. We needed to simplify the overall structure and process and provide long-term flexibility for use of funds while keeping the process transparent and easy to understand. The fair share formula was also examined, and recommended formula changes are incorporated in a resolution to be considered at Convention. If approved, those changes will result in a reduction of fair share funds paid to the Diocese by congregations.

BUDGET INTRODUCTION: The Diocesan budget is deeply rooted in our faith.... **and that has not changed.** We continue to believe its primary function is to help fulfill God's plan for us. It is also important to remember that it is 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.

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

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

Our 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.

WHY A NARRATIVE BUDGET? This narrative budget is intended to increase the reader's understanding of the financial budget and its components. Its purpose is to provide a detailed, written explanation of each line item for review and consideration.

BUDGET PROCESS: The Diocesan Finance Committee also serves as the Budget Committee. Thus, the budget reflects the collective wisdom/knowledge/input from the Finance Committee, Treasurer, Diocesan personnel, bookkeeper and Bishop. In June, the committee evaluates operating budget needs and expense estimates from diocesan personnel and bookkeeper, compensation requests from the Bishop (with recommendations from the personnel committee) and income estimates from the Treasurer. After careful deliberation, the budget is drafted. The draft budget is presented to the Board of Trustees (BOT) for review, comment and approval at its June meeting. The BOT recommends the draft budget to Convention as presented or votes approval pending clarification of questions, process or additional information with a final vote to recommend at the July BOT meeting if needed.

As always, the budget is based on a future we cannot accurately predict. Therefore, we have designed it to be responsive to responsible updating. Monthly, the finance committee reviews Diocesan financial statements noting any variances in income and/or expenses vs budget and reports to the BOT. Significant variances from budget are discussed and remedies reviewed.

2025 BUDGET CHANGES: The newly revised budget format separates the operating expenses for the Office of the Bishop from the program expenses previously included. This will give a more accurate picture of annual Diocesan operating costs with Fair share income as the primary source of funds to cover these expenses. Beginning in 2025, program costs will be covered by our endowment income as defined by our endowment spending policy. Budget deficits, not covered by operating reserves, will also be covered by endowment income. This budget narrative only addresses the 2025 operating budget line items. As such, line item expenses as a % of the total will be higher than in past years since total operating expenses will not include program items. Endowment updates will be addressed at another time.

2025 INCOME:

#16 Total projected fair share income from updated Fair Share formula.

2025 EXPENSES:

Personnel: Compensation Cost of Living Adjustment = 3% for all employees
Pension = 18% of clergy compensation; 9% of lay compensation
Health insurance = 6% increase

#24 Total Bishop's compensation and benefits as itemized in lines 20-23

#68 Total Diocesan employee compensation and benefits including a merit pool (# 67) which is dispersed by the Bishop.

#70 Total Diocesan employees compensation and benefits as itemized on lines #20-23 and #63-67: Bishop + support staff + staff merit pool.

#83 Total contract personnel by contract and itemized in lines #73-81.

#85 Total personnel compensation and benefits = employees + contract personnel.

#106 Other personnel expenses: travel, continuing education, background checks payroll service and worker's compensation for all Diocesan personnel.

#108 Total cost for all personnel in the Diocese = 71.6% of the total operating expenses.

#111-133 Office and operating expenses of the Diocese. Italicized line items are recent additions to the list. Previously, they were carried as program expenses or sinking fund expenses. They are more accurately carried as operating expenses of the Diocese.

#134/152 Italicized totals are the total of 2024 budgeted items plus the pro forma 2025 additions.

#139-149 Sinking Funds are used to accumulate monies for expense categories where funding is needed on a regular but not annual basis. They act as "savings accounts" for specific purposes, thus spreading the cost over several years and making the cash outlays more manageable when they occur. Italicized lines are items that have been moved or added.

#151 Total operating cost of the office of the bishop.

#153 Operating surplus/deficit = total income #16 – total expenses #151. Surpluses/deficits are added/subtracted to/from the operating reserve. Additional deficits will be funded from endowment income.

#156 Program spending compares 2025 to 2024 spending on programs.

#157 Total Diocesan spending compares 2025 to 2024 total operating expenses plus program spending that will be funded from endowment sources through grant request process.

Column descriptions

Column AA : The 2024 budget as approved by the 2023 convention

Column AB: Pro Forma: 2024 budget with 2025 changes incorporated for comparison purposes

Column AC: Year to date actual income/expenses; Italicized numbers incorporate 2025 changes on a 7 month pro rata basis for comparative purposes

Column AD: 2025 draft operating budget in new format

Column AE: % of total expenses represented by each category

Column AF: 2025 budget notes as needed for each line item