Proposed 2018 Council Budget—Line Item Details

The following pages provide line-by-line detail of the proposed 2018 operating budget for the Diocese of Newark.

INCOME

1. **Pledge Revenue.** The budget represents an estimate of what is expected to be pledged to the Diocese when all pledges are received, less an amount for pledges that may not ultimately be paid. As of December 14th, we have received 51 pledges totaling $1.503M, with a small average increase among those pledging.

2. **Alleluia Fund.** The Alleluia Fund for Outreach was created to give individuals and congregations an opportunity to participate with others across our Diocese to make a significant and important difference in the lives of many. Budgeted income in 2018 of $110,000 will provide 61% of domestic and outreach grants that are reflected in lines 33 and 34; the balance of outreach will be funded by pledge revenues. We have reduced the goal from $125k in recent years to reflect lower expectations of what may be achieved, but are nevertheless simultaneously increasing our outreach budget.

3. **Investment Income.** The estimated income from investments is principally based on a spending rule of 4.25% applied to the average market value of investments over the preceding 12 quarters; prior to 2017, a rate of 4% was used. Such funds are invested through the Diocesan Investment Trust in its Growth Fund, which has a target asset allocation of 74% equities, and 26% fixed income securities. The amount of income includes approximately $36,000 from Trustees' investments that it provides to support this operating budget.

4. **Investment Administration Fee.** Since approved in 2010, an investment administration fee is charged by the Diocese for funds invested in the DIT. This fee applies to substantially all funds and is calculated at .0625% (6.25 basis points) of the market value of the fund on a quarterly basis (0.25%, or 25 basis points per year). Because the Diocese manages the relationship with TIAA Trust Company, and provides staff support to investors, we are able to provide access to the institutional investment expertise and management fees that would not be available otherwise. The total of (a) this administration fee as well as (b) the TIAA management fee is approximately 0.57% (57 basis points).

5. **Direct Administration Fees.** The Diocesan staff performs accounting and other services for a number of Diocesan entities for which there is a direct administrative charge. The amounts are based on the amount of time that staff spends performing such services. The charges are:

<table>
<thead>
<tr>
<th>Entity</th>
<th>Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trustees</td>
<td>$52,700</td>
</tr>
<tr>
<td>ACTS/VIM Fund</td>
<td>13,100</td>
</tr>
<tr>
<td>Ward J. Herbert Fund</td>
<td>13,100</td>
</tr>
<tr>
<td>Bishop’s Church Emergency Fund</td>
<td>4,500</td>
</tr>
<tr>
<td>Episcopal Capital Loan Fund</td>
<td>4,500</td>
</tr>
<tr>
<td>Gertrude Butts Fund</td>
<td>3,000</td>
</tr>
<tr>
<td>Other</td>
<td>4,200</td>
</tr>
</tbody>
</table>

6. **Rental Income—Episcopal House.** In June 2012, the fifth floor of Episcopal House, located at 31 Mulberry Street in Newark, was leased to the Victoria Foundation, a not-for-profit organization that provides grants principally to programs that impact the cycle of poverty in Newark. The lease has an initial term of ten years. The Sadie Nash Leadership Project, which leases a portion of the first floor, has agreed to expand its space in 2018, resulting in an increase in our rental income.
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7. **New Ministry Initiatives Fund.** This fund is available to support new ministries of congregations and the diocese. As in the past four years, these funds will be used to support the compensation of the Coordinator for Missional Church Strategy (the related expense is included in Line 14), Joining God in Shaping Our Future (formerly Missional Church Initiatives) (Line 15), and Fund Development (Line 17).

8. **Missional Church Grants.** The diocese received grants from a trust to be used for funding costs of Joining God in Shaping Our Future from 2013 through 2017. The budget for 2018 does not assume that any such grants will be received.

9. **Proceeds from Sale of Properties.** Closed church properties were sold in 2015 and 2016 and a portion of the proceeds of those sales were made available to provide funds to reduce the underfunded lay pension plan (the funded expense is included in Line 48 and a portion is included in the staff compensation lines) and to add to the fund for the search and call of the next diocesan bishop (Line 55).

10. **Bishop’s Discretionary Fund.** Since 2011, the Bishop has been allocating a portion of income from his discretionary funds to the Council to cover certain of his expenses that were paid directly from the BDF up until that point.

11. **Hispanic Missioner Reserve.** These funds, which originate from the sale of closed churches, were set aside in 2016 for a proposed Hispanic ministry. They were budgeted but unused in both 2016 and 2017, so are still available.

12. **Diocesan Surplus.** Council expects to generate a substantial surplus in 2017 due largely to pledges being higher than anticipated. We will use these funds in 2018 for the Joining God initiative in order to avoid asking for an additional allocation of funds from the undesignated proceeds of sold properties.

13. **Cross Roads Camp Scholarship Fund.** The income from a restricted Cross Roads Scholarship Fund is designated for the Cross Roads Camp ministry, and is used to pay the expenses that are reflected in the operating budget shown on Line 29.

**EXPENSES**

**Compensation**
Staff expenses constitute the largest share of the expenses of the Diocese, accounting for 52% of total expenses in the 2018 budget. There are 14.5 full-time equivalent employees on Diocesan staff; the Diocesan Property Manager’s compensation is paid by the Trustees of the Episcopal Fund and, therefore, is not included in this budget. The 2018 budget includes a 3% increase in the compensation of the staff. Medical costs are budgeted to increase by approximately 7% in 2018, while dental costs are budgeted to increase by 2.2%; the staff contributes 10% to the cost of their medical insurance through payroll deductions.

The staff employees are included in the categories as noted below.

**Equipping Congregations**
In this section of the budget, we include our Diocesan Finance Office, the Coordinator for Missional Church Strategy (“Coordinator”), and the Hispanic Missioner. Included here are the efforts of our Diocese to form disciples and strengthen our faith communities for mission. It also includes the Diocesan staff that helps congregations and the Diocese to maintain our properties and administer our financial resources.
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15. **Staff.** The staff includes three members in the Finance Department, the Coordinator, and the part-time Hispanic Missioner. The compensation related to the Property Manager is covered by the Trustees, as a substantial amount of his time is dedicated to properties held in trust by the Trustees; therefore, none of the Property Manager’s compensation or benefits are reflected in this budget, which is consistent with the prior five years. The compensation of the Coordinator is funded by the New Ministry Initiatives Fund (Line 7); the compensation for the Hispanic Missioner is funded by the Hispanic Missioner Reserve (line 11).

16. **Hispanic Missioner.** We hope to hire a full-time staff member to coordinate our ministries that serve Spanish-speaking populations in our diocese. While the search is currently on hold, it is possible that a candidate will be hired before the end of the year.

17. **Joining God in Shaping Our Future (formerly Missional Church Initiatives).** In 2014, the diocese began a relationship with The Missional Network (TMN), consultants who have assisted the diocese and congregations in their missional initiatives, including the Going Local process for congregations and working with clergy and laity with regards to necessary education and assistance. This line item includes consulting and related costs and is funded by income from the New Ministry Initiatives Fund in Line 7.

18. **Fund Development.** This line includes the cost of a consultant retained as Advisor to the Bishop for Fund Development and related expenses. This individual provides fund development consulting services to the Bishop and the Fund Development Committee.

19. **Congregation/Clergy/Ministry Development.** These are expenses of the office of Canon to the Ordinary that provide consultants and training resources to congregations and clergy during periods of ministry transition. In addition, this department provides resources for congregations needing assistance with conflict resolution, congregational growth and development, lay and clergy leadership development, shared ministry initiatives, and mutual ministry reviews.

20. **Stewardship.** Costs relating to providing stewardship education and other resources throughout the Diocese, including the annual fee for membership in The Episcopal Network for Stewardship (TENS), are included in this line.

21. **Bishop Anand Resource Center.** This center provides tools, resources and educational material to help individuals, commissions/committees and congregations work effectively. It operates also as a lending library. All expenses in 2018 will be covered by some donated funds that are being held in reserve.

**Empowering People**
This section of the budget focuses on the ministries which help each of us find our voice to live as the people of God. It includes our efforts to lift up lay and clergy through Education for Ministry, the annual Clergy Conference, Cross Roads Camp and the Commission on Ministry, as well as those that further racial justice and cultural diversity.

23. **Staff.** Salaries and benefits for the Secretary of Convention, also serving as Administrative Officer of the Diocese, the Director of Youth and Young Adult Ministries, the Bishop’s Executive Assistant, and one-half of the compensation cost for the Administrator for Diocesan Ministries are included here.
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24. **Youth & Young Adult Ministry.** Expenses here include the cost of retreats and conferences for youth and young adults, including subsidies and scholarships for those who require such assistance.

25. **Diocesan Convention.** The estimated $102k cost of the annual Diocesan convention is substantially offset by registration fees and fees paid by vendors. The 2018 registration fee of $190 per deputy is the same as the fee for the past five years, resulting in a net expense of $16,800 for the 2018 convention.

26. **Clergy Conference.** Annual grants, a contribution from the Bishop’s Discretionary Fund, and fees charged to participants pay most of the cost of the annual fall clergy conference and Lenten clergy retreat. This line item reflects the expense of the conference, net of these income sources.

27. **Commission on Ministry.** Expenses include costs related to the support of individuals who are in the process of seeking ordination to the priesthood or diaconate, including subsidies for those individuals. In addition, this line item includes the administrative costs of the commission and its subcommittees.

28. **Hispanic/Latino Ministry.** Provides information and resources through workshops and presentations to congregations that are actively engaged in or seeking to become engaged in Hispanic/Latino ministry. In the absence of an Hispanic Missioner, there has been no active ministry.

29. **Cross Roads Camp Ministry.** The Diocese provides assistance to Cross Roads Camp in support of their scholarship assistance to campers. In 2018, as in the five prior years, all of the funding for this line item comes from the income received from funds given expressly for camp scholarships (see Line 13).

30. **Education for Ministry.** This line item subsidizes the cost to EfM participants; in 2017-18, there are six seminar groups with about 60 participants in the Diocese.

31. **Namaste (Dismantling Racism).** Provides anti-racism training and related education for clergy, postulants, and elected and appointed Diocesan lay leaders and congregations. These funds subsidize the cost of these training events. The funding request for 2018 is modest because there are some funds held in reserve.

**Engaging the World**

This section of the budget targets ministry beyond the Diocese of Newark and includes our pledge to The Episcopal Church and funding for our deputation to the triennial General Convention. Also included here is our funding for outreach grants, both domestic and international, and our ministries that focus on the incarcerated, our companion diocese relationship with Panama, and ecumenical and interfaith relations.

33. **Staff.** Salary and benefits for the Canon to the Ordinary, the Director of Communications and Technology, and the Administrative Assistant for Diocesan Services are included here.

34. **The Episcopal Church Pledge.** Our 2018 pledge to The Episcopal Church (TEC) of $361,108 represents 100% of the amount that TEC has assessed the Diocese for this year. Due to a change in the percentage used by TEC in making its assessment, the 2018 pledge is 9.2% lower than the 2017 pledge. The 2018 pledge approximates 11.8% of total income compared with 13.3% of projected income in 2017.

35. **Domestic Outreach Grants.** Our commitment to funding outreach as part of our operating budget includes grants to domestic as well as international entities. The 2018 budget for total
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domestic and international outreach grants (this line and the following) is a small increase over 2017, and is equal to 5.9% of total income.

36. **International Outreach Grants.** We are committed to contribute at least 0.7% of our income to international needs, and the budget reflects that commitment.

37. **General Convention 2018.** General Convention is held every three years, and the estimated cost is accrued over a three-year period. We have estimated that the 2018 General Convention will cost approximately $60,000; we have included one-third of that in the 2016 budget.

38. **Communications.** Includes costs for ongoing development and support of the Diocesan website as well as support provided to congregations to develop their individual websites. In addition, this line item includes the costs associated with *The VOICE Online, Leadership News*, and other diocesan communications, as well as support to individual congregations as needed.

39. **Province II.** The diocese is a part of Province II of The Episcopal Church. The 2018 expense represents approximately 88% of the amount requested by Province II to support its work, equal to the percentage paid in 2017.

40. **NJ Advocacy.** The budget includes an amount to provide a portion of the costs of an individual from the New Jersey Lutheran Synod who advocates for social justice issues in Trenton. The diocese is participating with the Diocese of New Jersey and the Lutheran Synod in funding this individual.

41. **Deacons.** Provides training and support to deacons of the diocese, including the cost for participation at the Directors/Archdeacon Conference and the annual National Association of Diaconate Directors conference. The funding request is lower this year due to some available donated funds held in reserve.

42. **Liturgy & Music.** Designs liturgies for diocesan services (Diocesan Convention, confirmations, and ordinations) and provides liturgical resources for congregations throughout the year.

43. **Cathedral.** This expense reaffirms the diocese's appreciation for and commitment to our cathedral, and provides funds to offset utility and other costs incurred by the Cathedral when it is used for Diocesan events.

44. **Ecumenical and Interfaith Officer.** Represents the Bishop and the Diocese in ecumenical and interreligious relationships and dialogue. Expenses include funding for ecumenical guests at Diocesan Convention.

45. **Prison Ministry.** This program is almost entirely self-funded, but the diocesan budget contributes a little to this commission whose ministry is to children whose parents are incarcerated and to adult inmates of Northern State Prison. Summer camperships, Saturday mentoring, and subsidized transportation to visit parents are important programs for the children; Bible-study and Prison Pen Pals are ministries with adults.

46. **Episcopal Relief and Development (ERD) Coordinator.** Coordinates the Diocese's communication about and connection with ERD. These funds pay for the costs of the ERD Coordinator to attend the annual Coordinators' Network meeting.

**Mission Oversight/Administration**
This section of the budget funds the broad expense categories of oversight and administration, including the office of the Bishop.
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48. **Staff.** Salary and benefits for the Bishop, the receptionist, the part-time sexton of Episcopal House and one-half of the compensation cost of the Administrator for Diocesan Ministries are included here.

49. **Post-Retirement Insurance.** The diocese has committed to pay for health insurance for certain retired clergy and spouses/dependents, for those retired (or eligible for retirement) as of July 1, 2009; this commitment includes subsidizing health insurance for those not yet eligible for Medicare. Medicare-eligible retired clergy and spouses are covered under a program provided by the Church Pension Fund. The diocese also provides health insurance and a supplement to Medicare for lay employees who have retired from diocesan staff. The expense is based on the estimated cash outlays the diocese will incur during the year.

50. **Lay Pension.** This line item includes a provision to reduce the underfunded liability of the lay pension plan. This plan is underfunded by approximately $832,000 as of the most recent actuarial valuation, and the budget includes payments into the pension plan assets with the goal of eliminating the net liability over the next 10 years. The liability will be reviewed each year and the amount to be added to the plan assets may change for the 2019 and subsequent budgets.

51. **Administration.** The cost of office equipment leases and maintenance, supplies, postage, meals for committee and other meetings, and other related costs are included here.

52. **Finance.** The cost of property and liability insurance, annual audits, the mortgage on Episcopal House, and other related costs are included in this line item.

53. **Buildings and Grounds.** Utilities, maintenance, and other costs for Episcopal House.

54. **Information Technology.** The cost of technology at Episcopal House, including computer equipment, software, network service, and other support. We have added some funding this year to explore updating our accounting software and moving our systems to the cloud, which should make them more accessible and resilient.

55. **Bishop’s Expenses.** In accordance with the letter of agreement with the Bishop, this includes travel, entertainment, and auto costs of the Bishop, and utilities, maintenance, and other costs for the Bishop’s residence.

56. **Bishop’s Office.** Office supplies and other costs for the office of the Bishop.

57. **Search & Call of Next Bishop.** Each year we set aside funds to cover the search and transition expenses relating to the call of the next bishop. The allocation of $30,000 represents our best estimate of the annual contribution that will we will need to sustain in order to fully fund these periodic calls. Since the 2018 search and transition is not yet fully funded, additional funds will need to be identified to cover the cost.

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