



Tithing Ministry Allocation Fund (MAF) Receipts

Background

At the meeting of Diocesan Council on March 21, 2007, the Budget Framework Working Group issued a Report to Council (Attachment A). One of the items discussed was the necessity to establish a principle of tithing the net proceeds deposited to the Ministry Allocation Fund from asset sales. It has been determined through discussion that the amount available to be tithed should be net of amounts to be recovered from the parish (i.e. overdue parish receivables and bills paid after parish closing) as well as the portion needed to top up the Ministry Allocation Fund restructuring fund to \$1,000,000.

In accordance with tradition, a tithe is 10% of an amount.

Principles

After much prayerful discussion, the Diocesan Council, at its March 26, 2009 meeting, adopted the following principles for tithing Ministry Allocation Fund (MAF) receipts:

- The decision to distribute the tithe from time to time shall be at the discretion of Diocesan Council, on the recommendation of Executive Board. Its true character shall be that of making a gift.
- The gift shall be made to support important and worthy initiatives and causes in the wider church.
- The recipients shall be those who minister in the wider church and who would not normally be supported financially within the Diocese of Toronto.
- The approach to discernment shall be simple, streamlined and non-bureaucratic.
- The Executive Board and the Diocesan Council will be guided by the Bishops in the discernment of worthy initiatives and causes.

MEMO

To: Diocesan Council
Cc: Attending Staff
From: Budget Framework Working Group
Date: March 21, 2007
Re: Report to Council

Background

In December 2006, Diocesan Council approved the formation of the Budget Framework Working Group, comprised of the Rt. Rev. Colin Johnson (ex-officio), the Rt. Rev. George Elliott [chair], the Rev. Andrew Asbil, Mr. Kennedy Marshall, Ms. Margaret Rodrigues and Mrs. Marion Saunders.

The mandate for our work came from the Financial Strategy Working Group's report to Diocesan Council in October 2006. They did not believe that the Diocesan budget's level of expenditure is sustainable and that starting in the 2007/2008 budget cycle, steps should be taken to reduce expenditures. The Budget Framework Working Group was asked to test out certain levels of budget cuts, ranging from \$750,000 to \$1.5 million, and recommend to Diocesan Council and Synod what magnitude of spending reductions might be appropriate in our budgets between 2008 through 2011. In addition, the Working Group was asked to consider various options for achieving these reductions with specific proposals which would provide clarity for setting budget priorities.

Theological and Scriptural Context

As we approached this daunting task, we sought to frame our work around a theology of abundance and hope. We experience daily the richness of God's grace in the resources of our church and our society today, and we believe that God will provide the resources needed for *our* church to carry out the work that supports our share of *God's* mission in the world.

We also believe that the present situation is one in which *our* church is being called to prune for growth, not just because we need to cut the budget, but because in order to sustain health within the diocese we need to look seriously at how best we can use the resources we have to carry out ministry that supports the mission of our Church. The pruning which we are presently called to do must be done in a way that reflects our understanding of our baptismal covenant - that every person is called to ministry and the role of the church is to enable and support ministry in all persons.

The pruning that is being proposed, and our support for future pruning, underscores the reality that there will also need to be a significant shift in the way we do ministry both at the diocesan and parish level. In as transparent a way as is possible, knowing that these shifts will have a profound affect on our diocesan staff, we have tried to seek a path forward that will allow us as a diocese to continue to support our vision and goals as these changes are implemented over the next four years.

Process

The Working Group considered the current budgets in the context of our diocese's vision and priorities. First and foremost was the objective of pruning the budget of costs where we think administrative and staffing efficiencies are possible and desirable.

We then considered pruning expenses, looking at every major category and challenging our assumptions about the necessity of spending.

We considered the impact on the General Synod and the Provincial Synod that would result according to predetermined formulae and discussed whether the resultant reduction in funding to those organizations was appropriate.

I can report with confidence that we looked seriously at every aspect of the budget. The only restrictions were those required by law to maintain our corporate legal requirements and our need to have a Diocesan Bishop in order to be a diocese. As future pruning is considered, some of the options we chose not to consider will need to be put back on the table.

Conclusions

The Working Group recommends that Council adopt the following Budget Framework for the preparation of the 2008/09 budgets:

1. Develop a new funding source by establishing an endowment to fund the episcopacy. In other dioceses, it is common for the episcopacy to be endowed. This provides a legacy and ensures the viability of the key role of the Diocesan Bishop in being a diocese in the Anglican Church of Canada.

Intended budget result: A minimum of **\$100,000** of annual Episcopal expense to be funded through a new endowment by 2011.

This means raising endowment funds of \$2.0 million. Over time, the goal should be to raise \$10 million in endowment funds.

2. Develop a plan that will see staffing costs reduced over the next four years. These savings will be realized through attrition and work realignment. Jobs that are currently vacant will not be automatically filled; use vacancies to realign work and reduce overall salary level. Focus on administrative processes that leverage technology introduced over the last 4 -5 years, thereby realizing expense reductions. Redesign administrative functions and work using a sustainable parish model as the organizational norm. Evaluate and redesign parish services function using a sustainable parish as the organizational norm. Where it is necessary to terminate staff, allow a generous notice period so that individual staff members will not experience lay off, but will move to their next job from their current one.

In addition, set a goal of pruning \$25,000 from annual operating expenses by testing the priority of this spending against the goal of reinvesting a greater proportion of investment income in to capital.

Intended budget result: Prune annual expenses by **\$450,000** by implementing productivity savings, reorganizing staffing, pruning various operating expenses.

3. Implement these changes pro rata so that funding to General and Provincial Synods are similarly reduced.

Consequent budget result: Contributions to the General and Provincial Synods will decrease by **\$150,000** per annum.

4. Establish the principle of tithing the net proceeds deposited to the Ministry Allocation Fund from asset sales. Share this with the General and Provincial Synods to help offset the reduction resulting from the Diocese's operating budget reductions.

Consequent budget result: None. However, the income to General and Provincial Synods would be increased, hopefully to their current levels or more.

5. Prepare the 2008/09 budget reflecting the above. Prepare a 2010/2011 high level budget to demonstrate the longer term effect of this pruning.
6. Set a challenge to prune an additional \$300,000 in recurring expenses with the goal of implementing these further reductions no later than 2011. Report to the Financial Synod in 2008 on progress towards this goal.

To summarize:

Endow the episcopacy	\$100,000
Productivity and staff realignment	425,000
Operating expenses (various)	25,000
General and Provincial Synods	<u>150,000</u>
Recommended to date	\$700,000
Future challenge	<u>300,000</u>
	<u>\$1,000,000</u>

I want to express my sincere thanks to the members of the Budget Framework Working Group who tackled this challenge in an open, honest, and prayerful manner.

Respectfully submitted by,
+George Elliott