

**Incorporated Synod of the Diocese of Toronto
Priorities and Plans 2017-2019 and Financial Budget 2018-2019**

Prepared by: Kathryn Rogers,
Treasurer & Director of Finance
May 27, 2017

This document is provided for your information.

High Level Overview of Budget

The budget that has been provided is the compilation of requests from each Synod Office department. The draft indicates an operating surplus for 2018 and 2019. The surplus was possible through a recommendation for the establishment of three internally restricted funds. The details of which are provided at the end of this document.

Sources of Income

Allotment

We are using historical data to estimate the assessable base for allotment purposes and assuming a freeze in the allotment rate. Although the total assessable base is trending upward a conservative approach was used when calculating the estimate. A review process was completed to project the number of potential amalgamations, closures & parishes in financial difficulty over the next few years. As a result, a total of 20 parishes were identified and a reduction in assessable base was estimated.

As a point of reference below is the history of allotment rates and assessable income:

	2011	2012	2013	2014	2015	2016	2017
Assessment Rate	23.40%	24.39%	25.00%	25.00%	24.85%	24.85%	24.70%
Assessable Income	23,594,000	23,636,000	23,525,000	23,200,000	23,300,000	23,385,000	23,458,000

Other Income

The Interest from Capital Funds and Leases includes income from the lease with the Toronto Marriott Downtown Eaton Centre Hotel which was estimated based on current results for 2017 with a small increase to 2018. This category also includes dividends on funds held in the Consolidated Trust Fund (“CTF”). A Dividend Rate of 4.25% was recommended by the Investment Committee as the expectation is that there will not be major changes in the markets over the next two years.

Expenditures

Expenditure categories have been altered to reflect those used on the audited financial statement. This is the first step towards harmonizing the internal and external reporting. The categories are as follows:

Episcopal Care and Leadership – Offices of the Bishops

Church Growth and Development – Episcopal Area Budgets, Human Resources, Advocacy, Congregational Development, Stewardship, Communications and Property Support

Support for the Wider Church – Support to the National and Provincial Bodies

Corporate Governance and Support Services – CAO office, Secretary of Synod office, Synod, Finance, IT, Office Services, Archives and Facilities

Supporting Ordained and Lay Leaders – Curacy Grants, Postulancy Committee, Clergy Conference, Relocation and Retraining, Support for Theological Students and Momentum

Expenditures have for the most part stayed consistent with prior year results although 2016 actual results include several unusual transitional items. The largest increases are seen in Corporate Governance and Support Services and Supporting Ordained and Lay Leaders.

Specific items to note are:

1. Salaries comprise \$4 million of the \$8 million in expenditures. The compensation amounts within each department have been held at the 2017 budget level. An additional amount has been included in the “Compensation Adjustment” line which encompasses increases proposed by the Compensation Working Group to the Budget Working Group. The Budget Working Group received a memo detailing the request which included adjustments for cost of living, equity adjustments and merit. Work by the Compensation Working Group is ongoing as they work to recommend updates to the internal human resource policies affecting the staff of the Synod Office.
2. Church Growth and Development has decreased for two reasons:
 - The Property Support department costs have been removed from the operating budget in 2018 and 2019 and reallocated to an Amalgamations, Closures and Property Support Fund. The details are below.
 - The Stewardship Department was removed from the 2019 budget as work is in progress regarding moving the department to the Anglican Diocese of Toronto Foundation.
3. Corporate Governance and Support Services increases include:
 - Salaries for the CAO office in 2016 were lower than normal due to a vacancy.

- There are Synods planned in both 2018 and 2019 with the anticipation of additional work required for the 2019 General Synod consultations.
 - A contract has been included for a role to support the digitization of archives.
 - This was offset by savings in Synod Office facilities due to the shared services implemented with St. James Cathedral near the end of 2016.
4. Supporting Ordained and Lay Leaders increased mainly due to the Relocation and Retraining budget which encompasses costs for Canon 10 non-disciplinary terminations which includes transitions between appointments.

Internally Restricted Funds to be Established

There are a number of costs incurred that are the result of work outside of the normal operating budget. It is recommended that separate funds be established in 2017 as follows to deal with each area:

1. Amalgamations, Closures & Property Support Fund

In recent years we have seen an increase in the amount of resources required to support work on amalgamations and closures of parishes. This work tends to require expenses in property costs, salary transitions and Synod Office staff support. As it is projected that amalgamations will continue going forward it would be beneficial to establish an internally restricted fund whose purpose is solely to support these transitions. It is recommended that \$1.5 million be allocated from the Ministry Allocation Fund with the intention that as funds are drawn down, a portion of any property sales related to these properties would be recovered.

2. Strategic Plan Initiatives Fund

Work is ongoing to fulfill the initiatives established in the strategic plan. At this point there are a number of projects that will require funding but as we are in the planning stages it is not clear on the exact amount that will be necessary. The projects include an engagement survey, training & development consultant, intentional interim ministry pilot, IT improvements, youth ministry pilot and organizational structure review.

Upon a review of funds held by the Synod Office in the Consolidated Trust Fund, it was identified that there is an unused fund called the Church Development Fund. It is the result of historical property sale proceeds and it was originally designated for loans to parishes. This is no longer the primary source for loans to parishes so it is recommended that the fund be redeployed to support the strategic plan with the understanding that only the income earned on the fund will be available for use. The current principal balance is \$3.5 million and the current income balance available is \$575,000.

3. Capital Asset Fund

Historically capital asset expenditures have been funded as part of the operating budget. Going forward it is requested that a capital asset fund be established and funds added based on an allocation of surplus at the end of the fiscal year.

To establish the fund it is requested that an amount of \$350,000 be allocated from prior year accumulated surpluses. The balance currently stands at \$781,000. The most pressing issue to be addressed is a roof replacement estimated at \$175,000. The original plan was to start this work in 2018 but based on recent events it was prudent to begin in 2017.