Diocesan Financial Review and 2021 Planning

November 19, 2020

Today's Meeting

Opening Prayer

COVID-19 Pandemic Update

2020 Diocesan Financial Position (end of Quarter III/September)

2021 Diocesan Budget

2021 Financial Planning Guidance for Churches

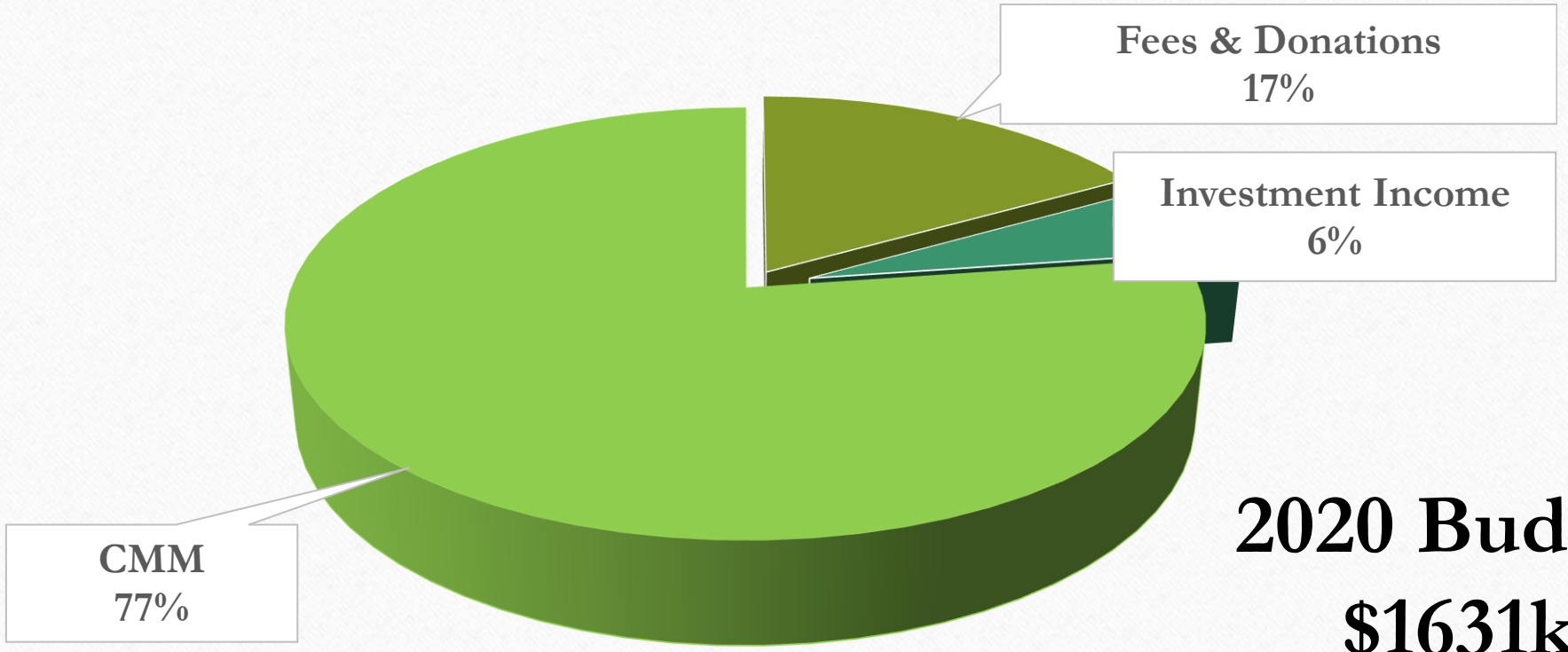
Closing Prayer

Opening Comments and COVID – 19 Update

2020 Financial Position

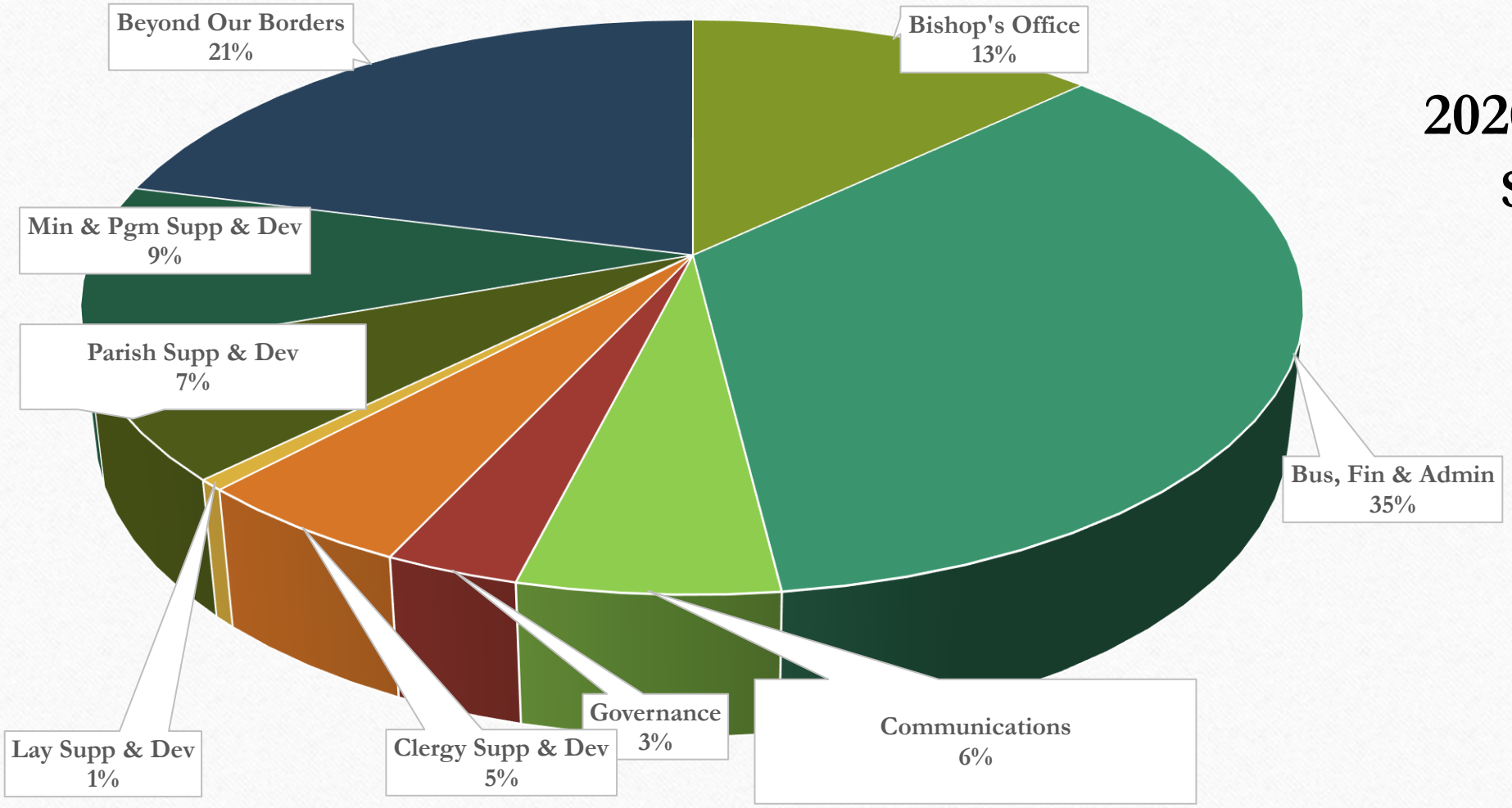
Quarter III (September)

Income – where does the money come from?

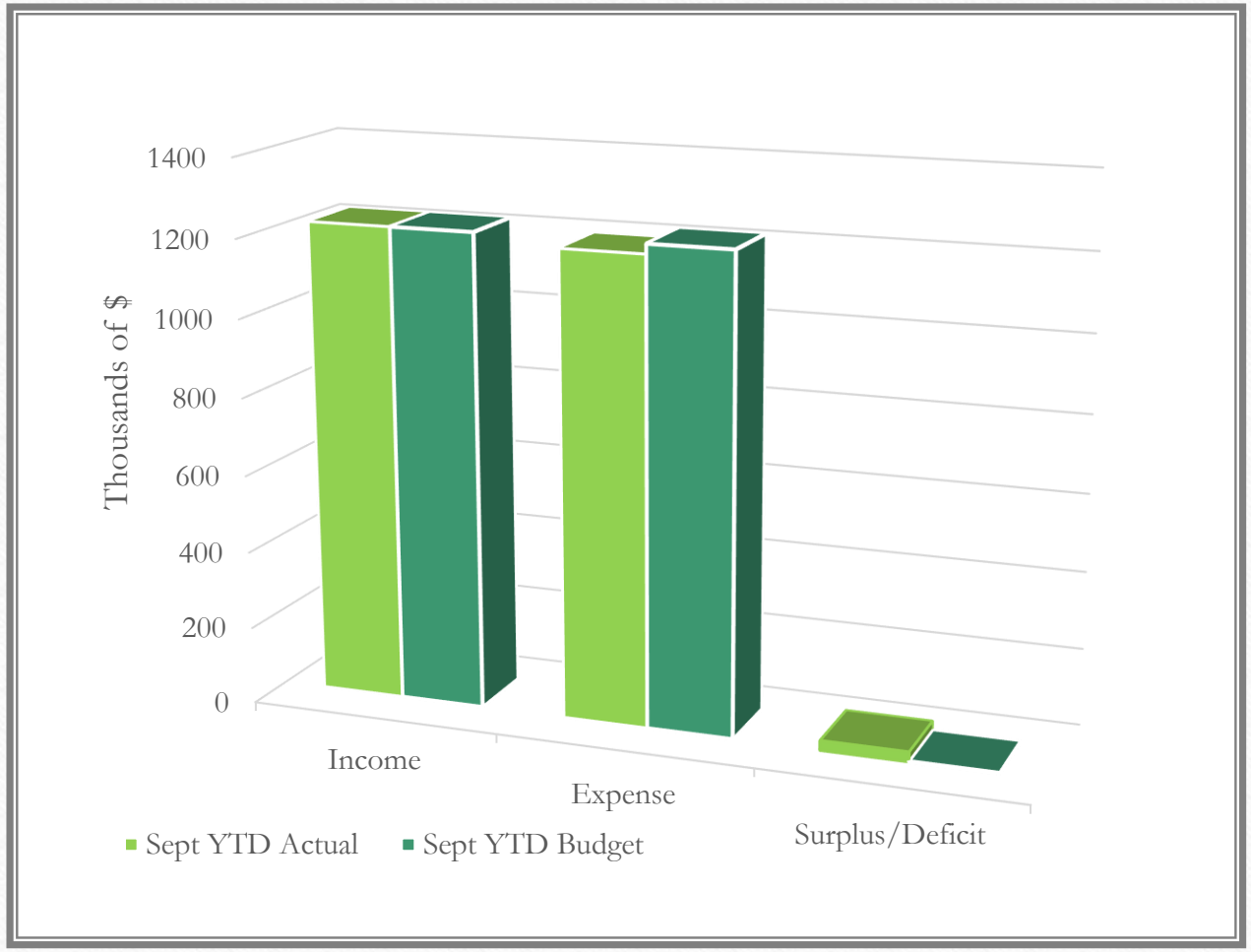


2020 Budget
$1631k

Expenditures – Where does the money go?



2020 Budget
$1631k



Summary – 2020 September YTD (Unaudited)

- Revenue basically to Budget
- Expenses Slightly below Budget
- $25k surplus

- No CEWS Included
- No Church Pandemic Support Included

Expenses – Variances to Budget YTD

Key Increases

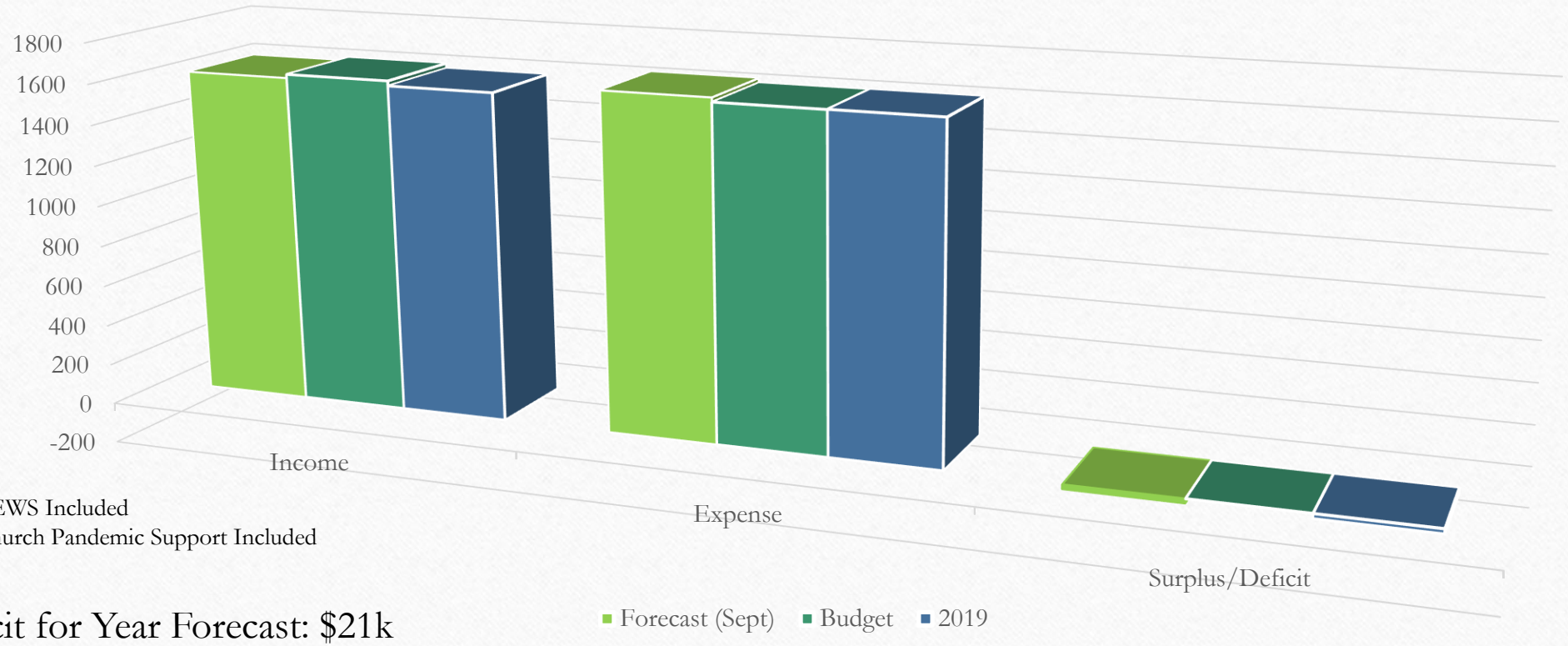
- Software, Hardware & Services +$18k
- Interest +$ 7k
- Amortization +$21k
- Archives Move +$20k
- Legal and HR +$18k
- Audit & Services +$ 3k

Key Reductions

- Reduced Travel -$24k
- Office -$10k
- Synod -$19k
- Parish Support -$20k
- Clergy Support & Dev -$29k
- Lay Support & Dev -$ 5k
- Program -$ 7k

Net Expenses $25k below Budget YTD

Total 2020 – September View Forecast



No CEWS Included
No Church Pandemic Support Included

Deficit for Year Forecast: $21k

Expenses – Forecast Variances to Budget

Key Increases

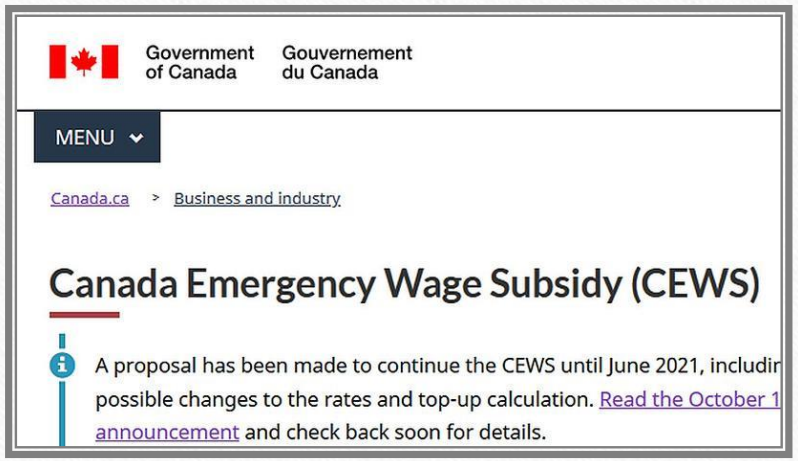
- Software, Hardware & Services +$18k
- Interest +$ 7k
- Amortization +$27k
- Archives Move +$23k
- Legal and HR +$75k

Key Reductions

- Reduced Travel -$30k
- Office -$10k
- Synod -$25k
- Parish Support -$10k
- Clergy Support & Dev -$40k
- Lay Support & Dev -$ 8k
- Program -$ 5k

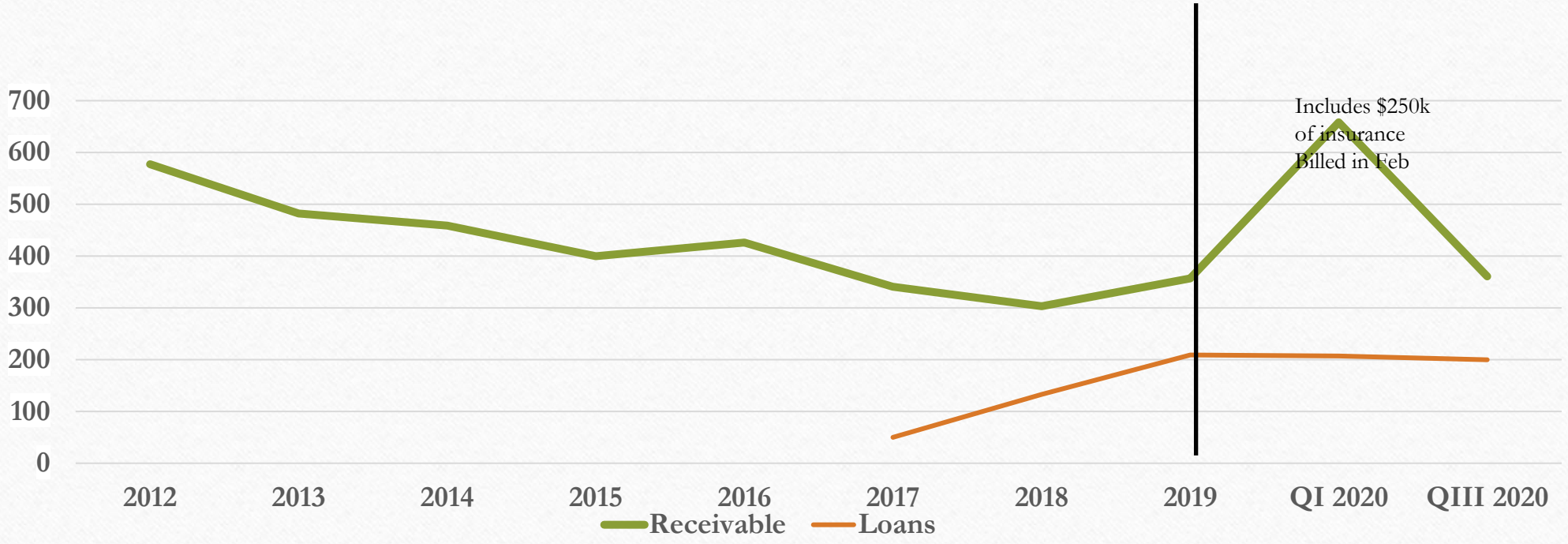
Forecast Deficit for year: $21k (no CEWS Included)

Canadian Emergency Wage Subsidy

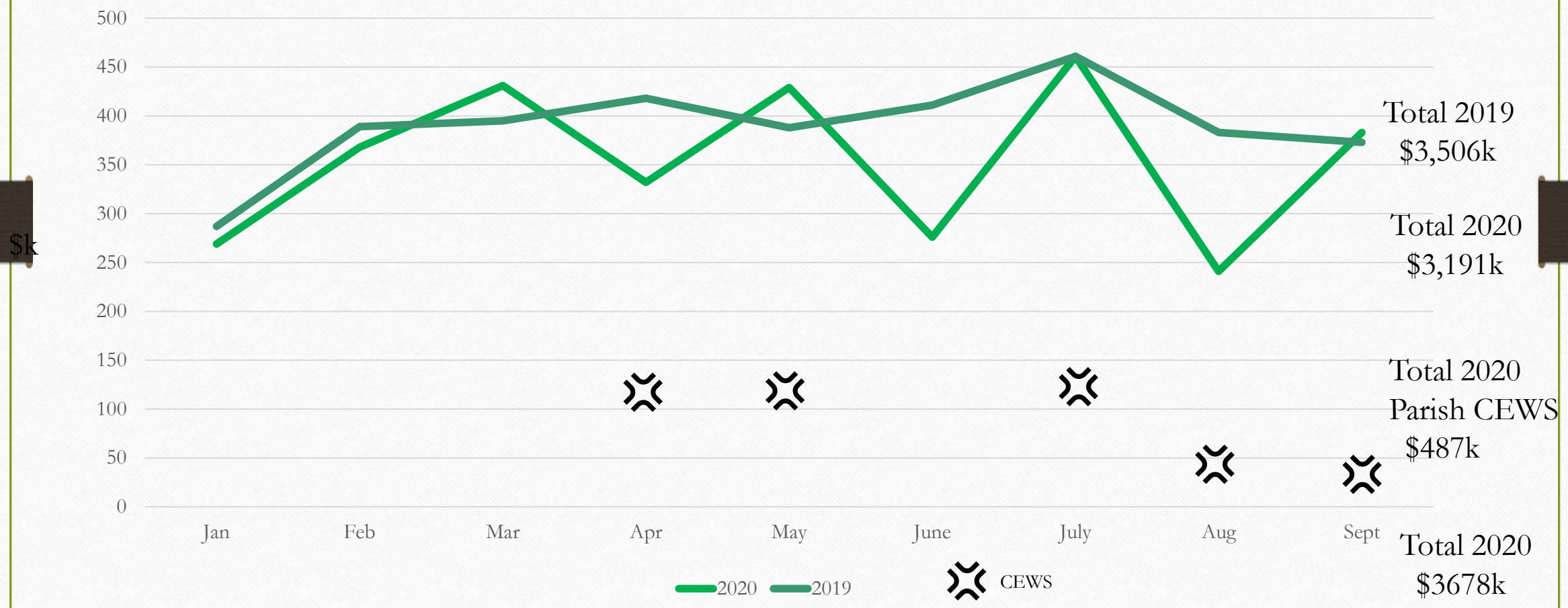


- CEWS that is generated from church payroll is credit directly to churches
- CEWS that is generated from diocesan payroll (8) is credited to a Pandemic Church Support Fund
- To Date, it has been used for Insurance Interest forgiveness, Cleaning/Disinfecting Starter Kits and Online Worship Tech Grants
- YE balance will be carried over to 2021. Currently $85k is available
- Pandemic Financial Response team will make recommendations to Synod Council

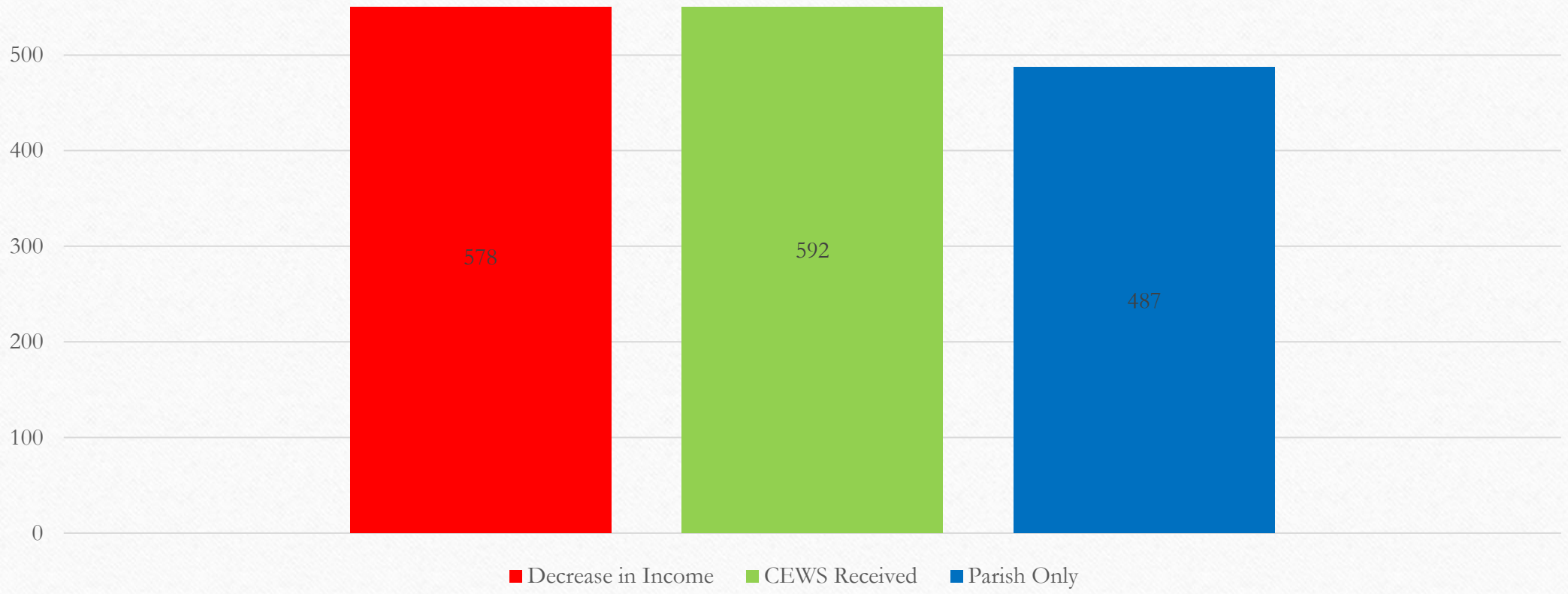
Parish Receivables – 10 Year Trend



Cash Received From Churches

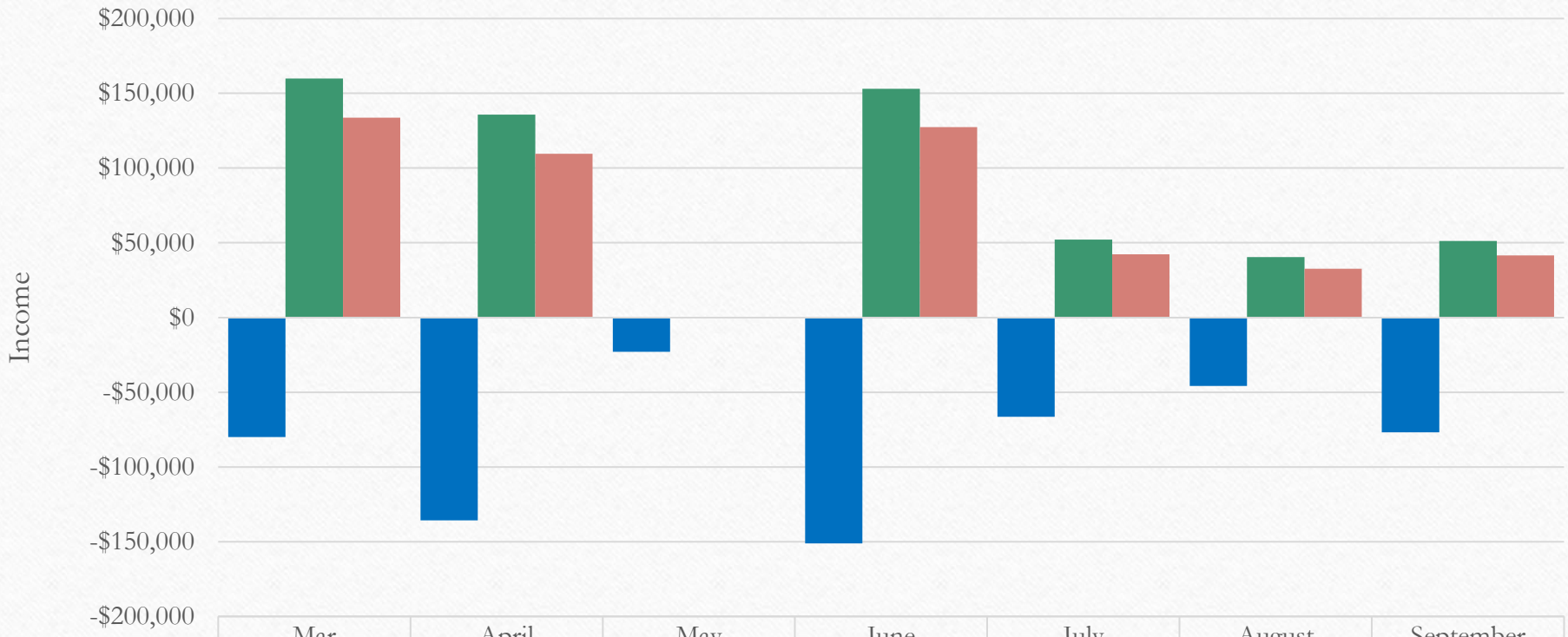


Income Decrease/CEWS Received
Total Diocese: March - Sept

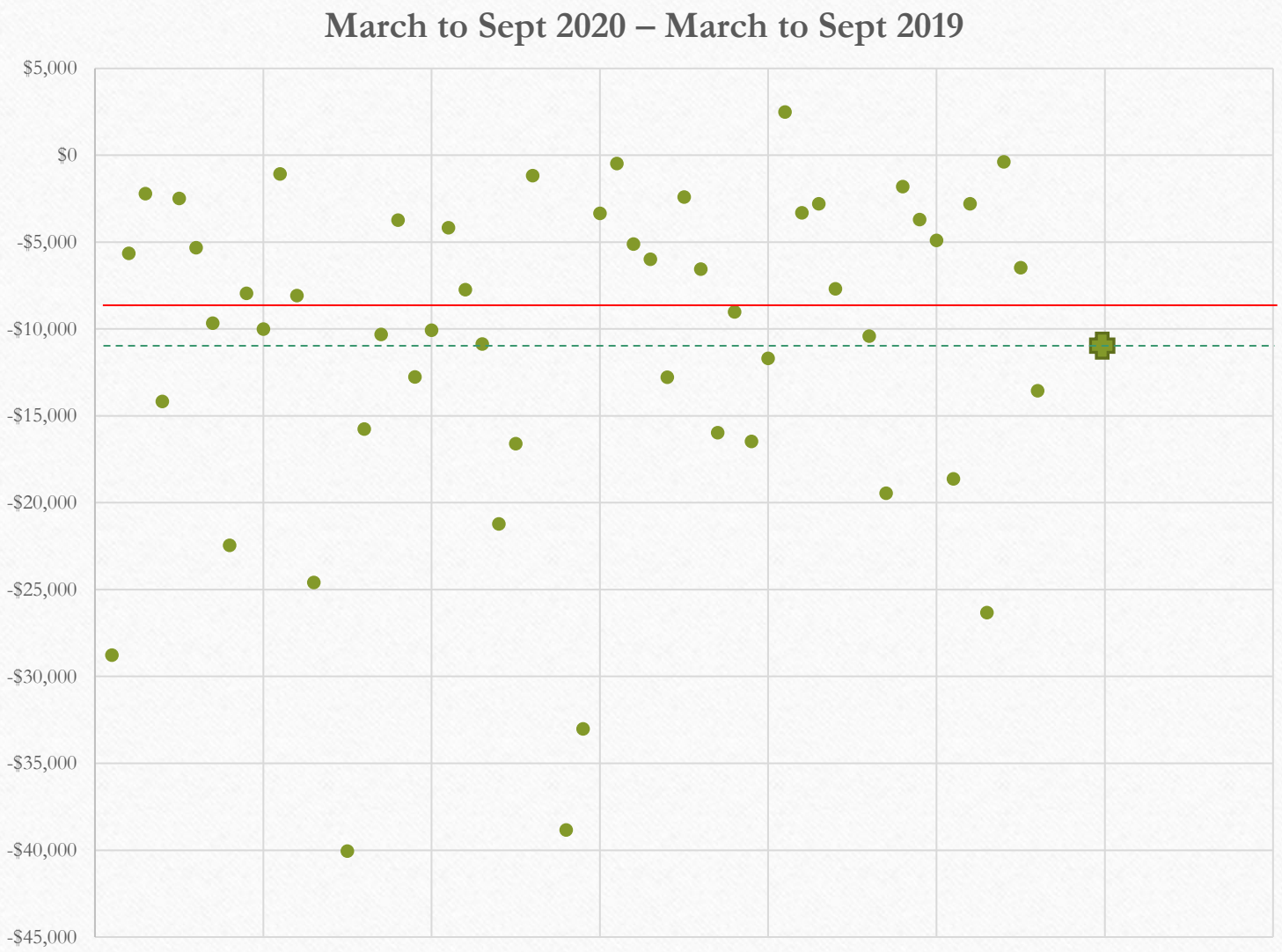


Total Diocese – Church Income Reduction & CEWS

March to Sept



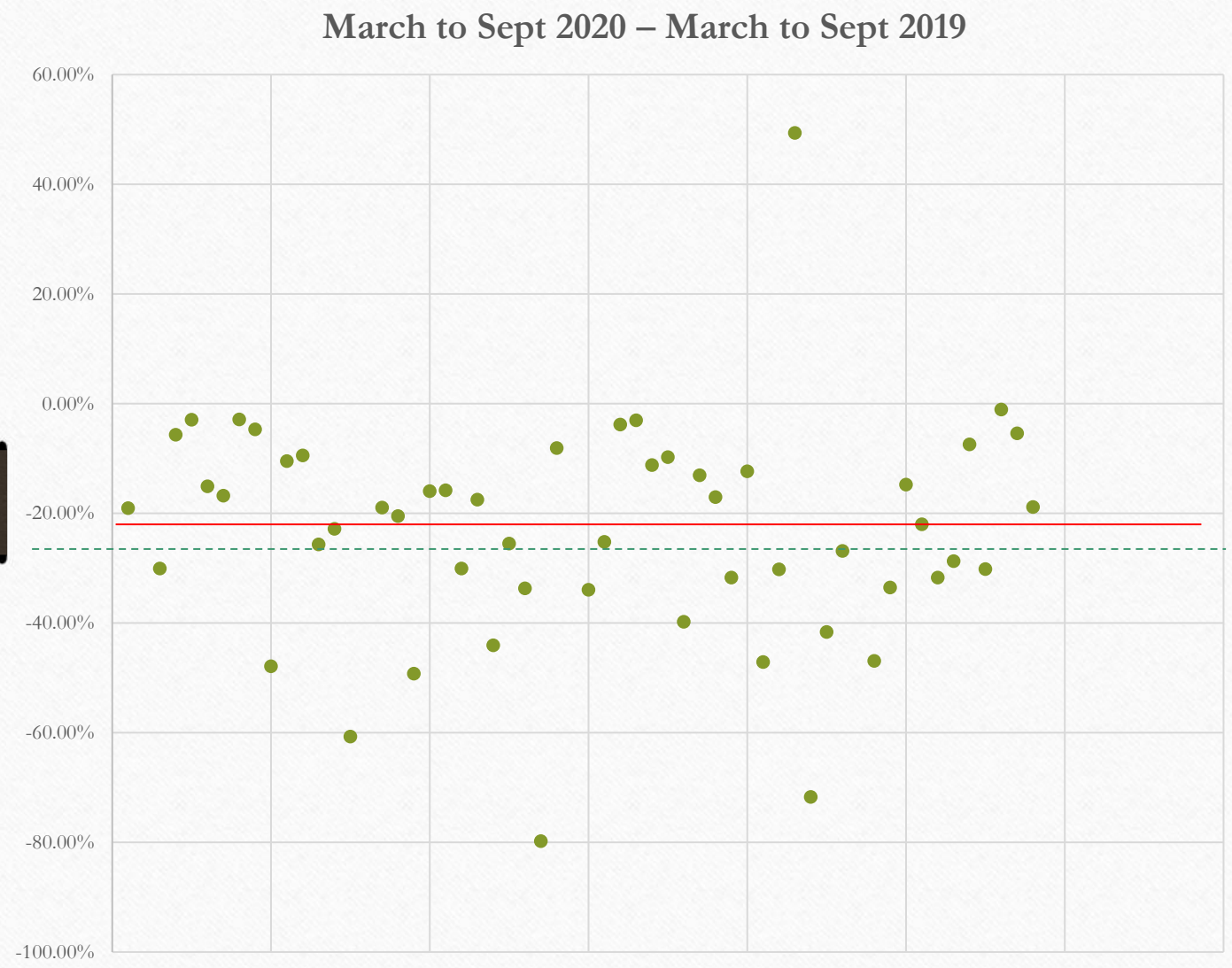
	Mar	April	May	June	July	August	September
Income Change	-$80,009	-$135,665	-$23,005	-$151,016	-$66,381	-$45,760	-$76,760
Total CEWS	$159,885	$135,768	$0	$153,070	$52,059	$40,369	$51,115
Church CEWS	$133,655	$109,584	$0	$127,289	$42,337	$32,697	$41,509



Change in Church Income ($)

Median ($ 8,086)

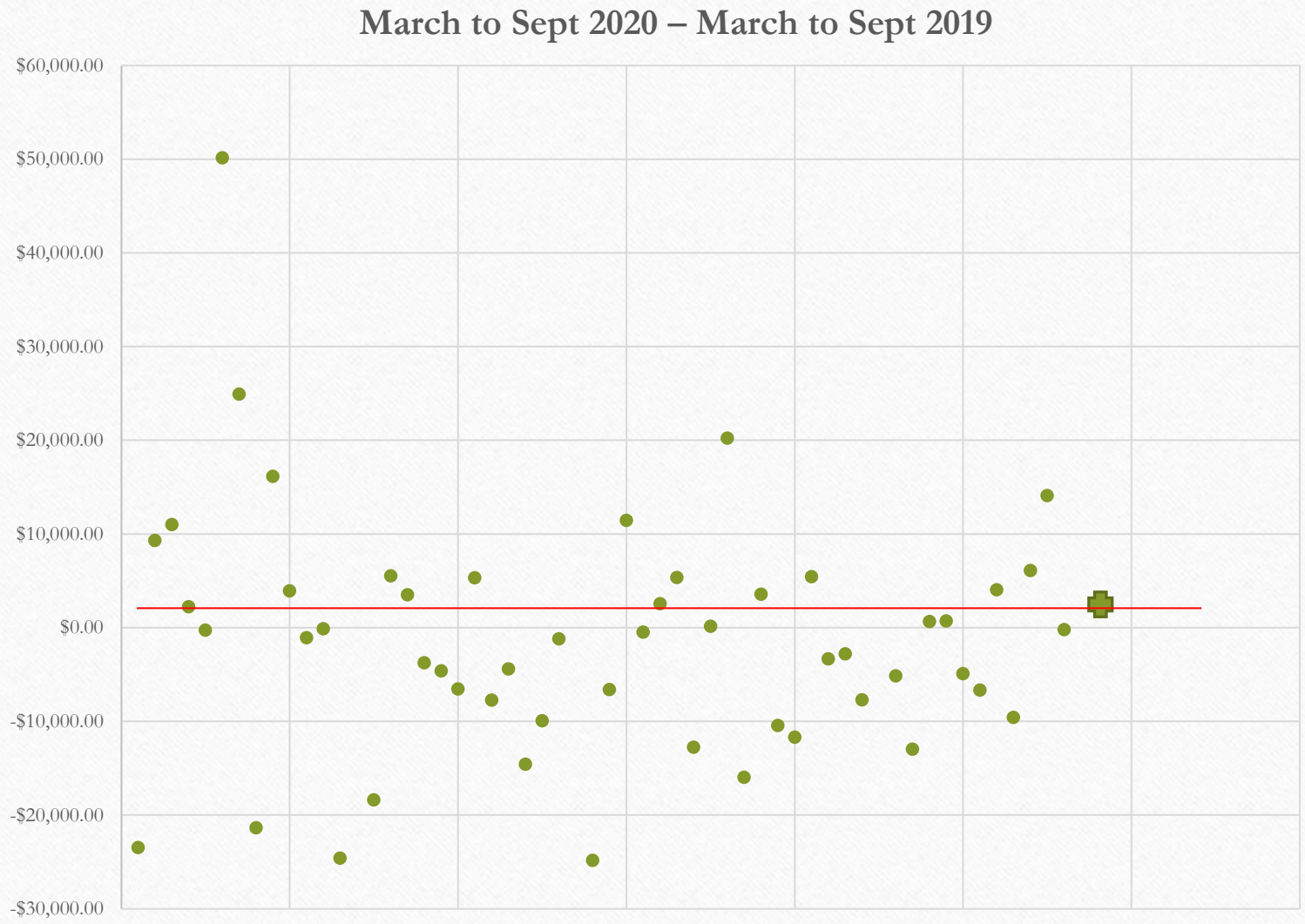
Average ($10,917)



Change in Church Income (%)

Median -20%

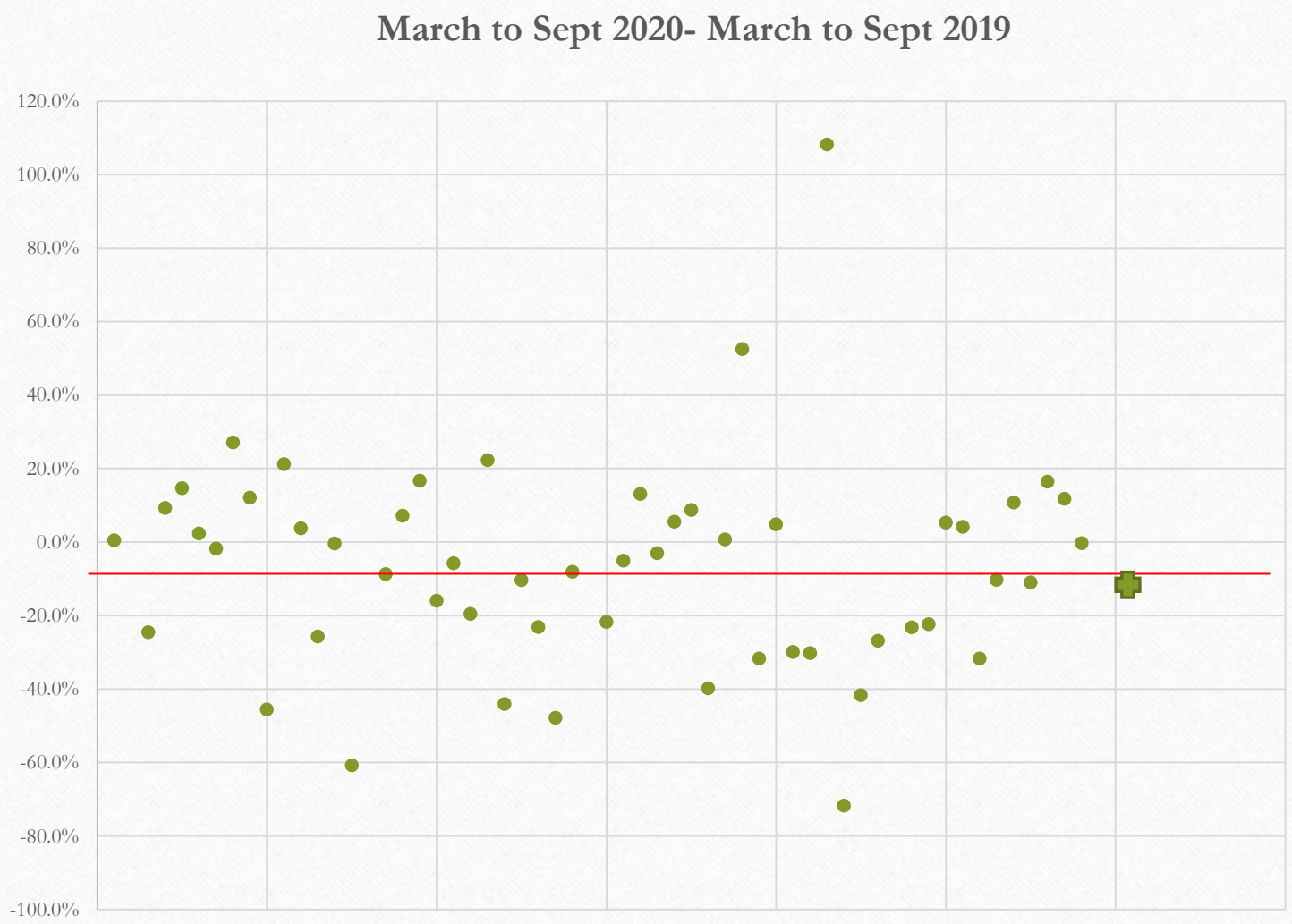
Average -23%



Change in Church Income Including CEWS ($)

Median ($1,085)

Average ($1,358)



Change in Church Income Including CEWS (%)

Median -7%

Average -5%

Church Bank Balances

- End of May 2020 $1,266,921
- End of Sept 2020 $1,550,960

2021 Budget

Overview

What is the Budget?

For which of you, desiring to build a tower, does not first sit down and count the cost, whether he has enough to complete it?

(Luke Chapter 14, Verse 28)

- A guide that should reflect the work that God is calling us to do
- A reminder of our abundance and our limitations
- Always keeping in mind:
  - Transparency
  - Comprehensiveness
  - Fiscally Responsible - Balanced Income and Expenditures
  - Challenges at the Congregation, Parish and Diocesan level

Planning Factors

- Pandemic is a HUGE unknown variable
- Consumer Price Index 2019 Province of Ontario = 2.1%
  (Per Statistics Canada)
- 2021 will be a Synod Year (model unclear)
- CMM Rate and Total Dollars Flat
- General Synod Proportional Gift holds at 20%
- Benefits changes not yet available from National Pension Office
- Lease Costs remain flat (other than addition of Archives space)
- Most program spending remains basically flat year over year
- CEWS is Budget neutral entering and leaving the year

Approach to Budget

- Expect Income flat.
  - Pandemic Church Support Fund supports churches
- Factor in Cost Of Living and Benefits changes
- Additional expected incremental items such as Synod, Provincial Synod, Archives space, etc
- Focus on ongoing work to reduce core expenses and drive efficiencies where possible
- Hold Program Spending at 2020 forecasted levels
  - New Ministry Funds available
- Synod Council approving adjustments as the year unfolds

Category	2020 Forecast	2021 Proposed	Change	Comments
Revenue	1630	1630	- ➡	
Bishop's Office	199	207	8 ⬆	Cost of Living and Travel
Bus, Finance & Admin	645	645	- ⬆ ⬇	CoL and Lease (archives) Infra & Services Reductions
Communications	91	93	2 ⬆	Cost of Living
Governance	18	48	30 ⬆	Synod ($25k)
Clergy Sup & Devp	40	46	6 ⬆	Student/Postulant
Lay Sup & Devp	2	3	1 ➡	
Parish Sup & Devp	165	90	-75 ⬇	HR Confidential and New Ministry Personnel Support
Min & Pgm Sup & Devp	153	153	- ➡	
Beyond Our Borders	338	346	8 ⬆	Provincial Synod Delegates
Surplus/Deficit	**-21**	**0**	**21** ⬇	**Balanced Budget**

Next Steps

- Synod Council Nov 24 – motion to approve Budget
- Ongoing management focus day to day
- Quarterly Forecast and Review
  - Adjust as appropriate
  - Council oversight
- Ongoing online sessions for communications

2021 Financial Planning

Current Guidance

2021 Parish Financial Planning

Financial Guidance

Cost of Clerical Services

Stipend **Housing**
Benefits **Mileage**

Building

Insurance

Diocesan

Investment Fund
CMM

2021 STIPEND GRID

						DIOCESE OF ONTARIO										
						2020 CLERGY STIPEND GRID										
						Approved by Synod Council										
(based on Consumer Price Increase January /19 over January/18)																
1.023																
TOP																51,86
HIGH							39,495	40,221	40,947	41,674	42,401	43,127	43,853	44,580	45,30
MID		36,312	36,869	37,426	37,982	38,538	39,095	39,651	40,208	40,765	41,321	41,877	42,434	42,991	43,54
MINIMUM	35,217	35,659	36,101	36,543	36,985	37,427	37,869	38,312	38,753	39,195	39,638	40,080	40,522	40,964	41,40
EQUIVALENT YEARS SINCE ORDINATION	1	2	3	4	5	6	7	8	9	10	11	12	13	14	1
TOP	52,976	54,060	55,206	56,326	57,442	57,975	58,507	59,039	59,571	60,103	60,103	60,102	60,103	60,102	60,10
HIGH	46,032	46,760	47,486	48,212	48,938	49,413	49,888	50,363	50,837	51,312	51,787	52,262	52,736	53,211	53,68
MID	44,104	44,660	45,216	45,772	46,330	46,786	47,248	47,707	48,166	48,625	49,084	49,546	50,003	50,462	50,92
MINIMUM	41,848	42,290	42,733	43,174	43,617	43,956	44,295	44,634	44,973	45,312	45,651	45,996	46,330	46,669	47,00
EQUIVALENT YEARS SINCE ORDINATION	16	17	18	19	20	21	22	23	24	25	26	27	28	29	3

- Increase in Stipend Grid for 2021is based on 2019 (Jan 2020) StatsCan CPI for Ontario
- Synod Council approved 2.1% as guidance
- Years Since Ordination increase in the grid is appx 1.2% per year
- Clergy cannot receive stipend less than the Grid
- Movement from Min – Mid- High- Top is discussion with Wardens & Clergy
- Grid will be approved at the Nov 24th meeting of Synod Council

Housing And Mileage

- The housing allowance is generally determined as the average rental cost of a three/four-bedroom house with garage, plus utilities.
- Proposed Housing Allowance reflects 2020 ($26,305) plus the CPI Housing increase for 2019 of 2.8% 2021 Housing Allowance proposed as $27,040
- Mileage is based on operating, maintenance and capital cost for a Mid/Full Size vehicle
- For 2021 the reimbursement rates remain unchanged from 2020:
    - For the first 18,000 kms of travel 61¢ per km.
    - For travel in excess of the 18,000 kms. 41¢ per km

Clergy Benefits

- Pension and LTD rates remain flat (as a %)
- Life Insurance rates hold flat (per thousand)
- Extended Health very slight decreases
- Dental holds flat
- Continuing Education (ConEd) will make the third and final planned increase to $900 (increase of $150)

Insurance

- Diocese participates in the National Program
  - Ecclesiastical is primary
  - AON as broker
- "Deductible Reduction" program which reduces the Policy Deductible by 80%
  - Funding is from a shared supplement to Insurance Invoices
- Transition from pooled/proportional billing to actual invoice in 2020

2020 Insurance Transition Subsidy

- Where increase in 2020 over 2019 Baseline AON Premium is Greater than $500 OR 25% then qualify for subsidy
  - Subsidy = 50% of Increase (Largest increase = $1000)
- Subsidization funding comes from the 10 churches/parishes with the largest savings.
  - Contribute 25% of Reduction Minimum savings per = $1500
- Results:
  - 85 Insured Properties
  - 31 Received Subsidy Min = $90 Max = $488 Average = $229
  - 10 Paid Subsidy Min = $391 Max = $1747 Average = $711

2021 Insurance Transition Subsidy

- Synod Council approved a second and final year for the Transition Subsidy
- Churches that received it in 2020 will receive 50% in 2021
- Churches that funded it in 2020 will give 50% in 2021
- No Subsidy in 2022

Insurance Coverage

- Two major groups of coverage:
  - Property (includes Building, Property, Crime, etc)
  - Liability (including Umbrella, Officers, Abuse, Cyber)
- Many influences on premiums:
  - Global insurance market
  - Financial markets
  - Major events
  - Inflation (Building Costs)
  - Regulatory changes
  - Experience with claims (specific)
  - Specific dynamics of insuring Faith organizations

2021 Premium Guidance

- Work underway to finalize (not available till January)
- AON Still negotiating with Ecclesiastical
- From discussions with AON, we have ***Preliminary*** General Guidance on what to expect in 2021
- In 2020 there was 0% rate change in this policy due the negotiated Long Term Rate (LTA) agreement, and a favourable loss ratio during the prior year. The LTA will not apply to the 2021 renewal due to losses incurred

2021 Premium Guidance

- Property premium is based on Replacement Cost multiplied by the Rate
  - **3% increase** (inflation) on Replacement Costs
  - **20% rate increase**
  - New Earthquake zone rating and deductible changes to earthquake, flood and sewer back up.
  - Boiler & Machinery – 0% increase in rate

- **Replacement cost increase – average of $40** (varies by replacement cost)
- **Rate increase – average of $280** (varies by replacement cost)

2021 Premium Guidance

- Liability – flat amounts per type. All churches pay the same premium
  - Commercial General Liability – 14.4% ($50 per certificate increase)
  - Directors & Officers Liability – 15.0%
  - Crime – 5%
  - Abuse Liability – 12.9% ($50 per certificate increase)

- **Expect Liability Premium to increase by appx $125**

2021 Premium Guidance

- Work underway to finalize (not available till January)
- Based on ***PRELIMINARY*** Guidance from AON:
  - **On average, the total AON Invoice will increase appx $450 (Church with an average Prop & Contents of $900k)**
  - Varies based on property & contents value
- Final Invoices from AON in January

Common Mission & Ministry

- CMM is based on the Green Sheet from 2 years prior
  - For 2021 that is the 2019 Green Sheet
- The rate of CMM is set at 20% (can only be changed by Synod)
  - Dollar amount of CMM has been basically flat for a number of years
- Churches that have submitted their Green Sheet (or data) should have it back already.
  - Accuracy in Budgeting
- Work in 2021 to simplify Green Sheet

Investment Fund

- After detail review, the Investment Committee recommended to Synod Council that the Return Rate stay flat at 5%
  - Some risk on market conditions
- New Software to manage our Church/Cemetery/Group Investments
  - Starting Jan 2021, Income will be calculated on a daily basis when funds are deposited or withdrawn (not quarterly)
  - Integration and Statement Improvements

Additional

- Letter with detail will come in the next two weeks (SC Approval)
- Continued work :
  - Insurance
  - PFRT
  - Investment Fund
  - Web Based Services
- Communications, Dialog, Collaboration

THANK YOU