

REPORT OF THE FINANCE/BUDGET SUBCOMMITTEE

(This Subcommittee is responsible to the Financial Advisory Committee)

The Finance/Budget Subcommittee (FBSC) assists the Treasurer with the preparation of the Diocesan budget and in conjunction with the Financial Advisory Committee (FAC) monitors Diocesan financial operations, including parish loans, loan guarantees and debt repayment plans.

The Budget Subcommittee in 2014 consisted of both laity and clergy with three out of four members of Budget also sitting on FAC. As such, the majority of FBSC attended the regularly scheduled FAC meetings. During the FAC meetings, FAC and FBSC reviewed the financial statements provided by the Treasurer and ensured that reasonable explanations were provided for both positive and negative variances to the budgeted amounts. Church extension loans, loans payable, and parish receivable for payroll and DMM were also reviewed at each meeting. FBSC shared progress on the budget with FAC, and when appropriate, sought the advice of FAC. Both FAC and FBSC believe this budget process was an efficient and effective use of both the Treasurer's and FBSC member's time.

Beginning in March of 2014 FBSC sought input from the various stake holders, including the Vision group leaders and all Diocesan staff as to what resources they thought their specific line item required for 2015. The number of asks and the dollars requested did not change markedly for 2015 over 2014, but compared to 2013 and prior, Vision spending in 2014 – 2015 represents the single largest growth area in percentage terms. An initial draft budget with all asks was prepared and presented to the Bishop in April, during which feedback was obtained, and amendments made.

The resulting revised draft budget was shared with FAC in May, and presented to Synod Council at their June retreat. At both the FAC meeting, and Synod Council, some input was received and factored into the draft budget. At both gatherings there was general acceptance of the draft budget, despite the fact at the time it projected a very modest deficit for 2015 on a cash basis. There appeared to be the realization that with over 90% of the budget being tied to non-discretionary costs, and revenue fixed by the amount generated by DM&M, there was little room to maneuver on the budget.

As outlined in the Pre-Synod discussion guide, there was discussion at the June Synod Council retreat over the existing budget process. Recognizing the consensus building approach to the budget process in Niagara, the vast majority of Synod Council members thought that in future the proposed budgets could be approved by Synod Council rather than taking up time at Synod. This proposal would also align the budget process in Niagara more closely with that done in many other Canadian dioceses'. Under the capable stewardship of our Diocesan Treasurer Jody Beck, the budget process has evolved to the point where little needs to be changed in non-discretionary line items as the year advances because Jody has accurately and conservatively estimated them.

Over the course of the summer, the draft budget was trued up resulting in a draft budget that broke even on a cash flow basis. This change came about through minor reductions in some proposed expenditures, but more significantly from the allocation of investment income from several funds including Survive and Thrive. Through a combination of careful stewardship, and healthy investment

returns over the last few years, several investment funds were in a position to have surplus monies that could be utilized for their intended purposes of growing Diocesan ministries. While this is a most welcome turn of events, this source of modest income does not provide a future predictable income stream. As was pointed out in the FAC report, the task of balancing the budget has become more challenging over the past couple years, underscoring the need to contain major line item expenditures. It is hoped the proposed redevelopment of Cathedral Place will enable a major line item expense to be minimized.

The revised draft budget reflecting the breakeven budget on a cash flow basis was presented to FAC and Synod Council this fall and met with widespread approval. This fall instead of regional pre-synod meetings the pre-Synod video was created with the opportunity for people to ask questions and provide input online. As can be appreciated the traditional pre-Synod meetings consumed a significant amount of Diocesan staff and volunteer time to reach a typically limited audience of approximately 100 people compared to the video that can reach an unlimited audience. It is hoped this new method of communicating with the Diocese in advance of Synod proves effective.

Enclosed with the pre-Synod circular is the line item eight page budget, and a convenient one page summary. The format of both is identical to that used for the past few years, and includes the proposed balanced budget for 2015, and a forecasted budget for 2016 to provide some "forward guidance" to Diocesan staff and to the Diocese at large. Only the proposed budget for 2015 will be actually voted on at Synod; we trust people find it true to the Diocesan vision, and will agree with us that it uses our resources wisely.

I wish to thank Bishop Michael for his candour in the budget process, and for the competence of the Finance Department under the leadership Diocesan Treasurer Jody Beck, and for the dedication and abilities of each FBSC member, and the ongoing support of FAC.

Respectively submitted on behalf of the Finance Budget subcommittee,

Mr. Andrew Clinkard, Chair

Members: The Reverend Pam Guyatt, Mr. Ian Pratt, Dave Savage