

# ST MICHAELS EPISCOPAL CHURCH

## 2024 NARRATIVE BUDGET

### INTRODUCTION

The Finance Committee has recommended, and the Vestry is considering, a preliminary 2024 Operating Budget. The budget is labeled “preliminary” pending the results of our Stewardship Campaign. This is explained in more detail in the Operating Income discussion below.

The budget was developed based on the assumption that St Michaels will continue a path of growth – growth in parishioners, activities and programs and outreach to our community. The Operating Expense budget reflects this assumption. The Operating Income budget reflects the income necessary to cover the operating expenses.

It is important to understand that the Operating Budget reflects expenses not covered by restricted endowment funds. Restricted endowment funds can only be used for the specified purpose established by the donors. Unrestricted endowment funds can be used to augment other sources of operating income but as explained in the Operating Income discussion below this needs to be prudently managed in order not to deplete these funds.

When the Stewardship Campaign is finalized later this year The Committee will propose a final Operating Budget to the Vestry for their approval in January 2024. The Vestry will then present the final Operating Budget at the Annual Meeting in February 2024.

### OPERATING EXPENSE

Total operating expenses for 2024 are budgeted at \$453,600. This is approximately 3% higher than the 2023 budget. The principal components of operating expenses are salaries, parish administration, Diocesan apportionment, utilities, and property maintenance and insurance.

#### *Salaries*

Salaries include related salary costs for pension, health and dental insurance and employer FICA. We have a full time Rector and part time music director, parish administrator and sexton. Modest cost of living increases has been included in the 2024 budget. In total these expenses account for approximately 45% of our total operating expenses.

#### *Parish administration*

Parish administration includes bookkeeping services, audit expense and office costs such as postage, telephone, copier, and internet. These account for approximately 13% of our total operating expenses.

#### *Diocesan apportionment*

We are required as a member of the Rhode Island Episcopal Diocese to contribute to the cost of running the Diocese. There is a set formula to determine our yearly contribution. This accounts for approximately 12% of our total operating expenses.

#### *Utilities*

Utilities include gas, water and electric costs for the Church, Parish Hall, Holmes House and the Tildesley building. These costs have increased substantially in prior years although they are projected to moderate in 2024. These costs account for approximately 12% of our total operating expenses.

#### *Property maintenance and insurance*

Property maintenance includes repairs and maintenance, snow removal, landscaping and fire monitoring and inspections. We also maintain property insurance on all our buildings and liability insurance for personal injury, Directors and Officers liability, sexual misconduct, and other related liability coverages. Insurance premiums are rising, and we expect at least a 10% increase in 2024. In total these costs account for approximately 11% of our total operating expenses.

### **OPERATING INCOME**

The principal sources of our operating income to cover our budgeted operating expenses of \$453,600 are voluntary giving, endowment income, and rental income. We also budget some amounts for outside events such as weddings, funerals, and music events.

#### *Voluntary giving*

Voluntary giving accounts for about 48% of our operating income. Pledges are the principal component. The Vestry has set a goal of increasing our pledge income to \$175,000 in 2024. This is a substantial increase from 2023 but if current pledges can be increased by a modest amount and regular givers can be encouraged to become pledgers the Vestry believes this is an achievable goal.

#### *Endowment income*

Endowment income is the income we draw from our unrestricted endowment funds to help balance our budget – it accounts for approximately 37% of our operating income. The unrestricted endowment fund market value on September 30 was approximately \$2.5 million. In 2023 the percentage draw was 5% of a rolling 5-year average market value which is a fiscally prudent strategy which aims to preserve the fund balance over time. Unfortunately, in 2023 we have been forced to draw an additional amount beyond 5% to cover our expenses. For 2024 we are planning to increase our draw to 6% - this is still a reasonable conservative percentage, but this increase needs to be matched by meeting our pledge goal of \$175,000. We cannot continue to draw down our unrestricted endowment at amounts higher than 6% percent or we risk eventually depleting the entirety of the endowment.

#### *Rental income*

Rental income is the rent and utilities reimbursement we receive from the ICCCB which operates from the Tildesley Building. Due to programmatic and missional growth resulting in increased space needs, the Vestry decided last year to re-occupy the Tildesley building at the end of ICCCB's lease term in August 2024. The 2024 operating income budget includes only 8 months of rental income. A task force has been formed to, amongst other things, develop alternative uses for the Tildesley Building, which would allow for continuing income in that space.