

BUDGET NARRATIVE FOR THE 2018 DRAFT BUDGET

INCOME

Page 3, Line 1a: Assessments

Assessment income is the amount levied by the Convention on each congregation in the Diocese of Hawai'i to support the programs and expenses of the Diocese. The projected income shown in this budget is based on a 2018 assessment rate of 18% of each congregation's operating income, as shown on the most recent parochial report on file. That means that the 2018 revenue forecast is based on the parochial reports for 2016.

The triennial General Convention of the Episcopal Church in June 2015 voted to decrease the national church's assessment rate applied to the dioceses over the three following years, and as that lower rate takes effect, the Council again moved to lower the assessment levied on congregations. The Diocesan Council this year recommends that the rate decrease to 18% for 2018, culminating three straight years of decreases in the assessment rate.

As background, the assessment rate in 2000 was 25% (the all time high rate for the Diocese was 26% in 1995, but the rate for all of the 1980's and 1990's was over 24%). A conscious effort on the part of Diocesan leadership to lower the assessment rate has been underway over the past fifteen years. By 2007, the assessment rate was down 21% (the historic lowest rate for the Diocese up to that time). Further steps were made to get the rate to 20% by 2009. The assumption at this point is that the proposed 18% rate will remain constant for some time as the Diocese stabilizes and the work of Strategic Initiatives impacts our common life.

Two points should be noted. First, it should be noted that the actual plate and pledge giving in our congregations as a whole has continued to rise through the years. And second, there has been an impact from the lower assessment rate through the years with cuts in diocesan staffing and subsidies for Mission Churches.

Page 3, Line 1b: Investment Income

All projected investment income is net of investment fees, both managerial and custodial.

Endowment Funds: To estimate income from investments for 2018, the Diocese budgets and will draw 4% of each restricted and unrestricted endowment fund's average market value over the prior twelve quarters. This is a decrease from the 5% draw, which has been in place in recent years. The change brings the Diocesan policy in line with the recommendation of investment advisors and best practices for endowment funds.

Unrestricted endowment funds with 2018 distributions budgeted at 4% are:

- Portfolio (Unrestricted)
- Von Holt Fund
- Ing Fund
- Other New Endowment Funds, which are funds received in 2015 and earlier.

Restricted endowment funds with 2018 distributions budgeted at 4% are:

- Portfolio (Restricted) – Income from this fund is primarily from the Episcopate Endowment Fund, and distributions are limited to the expenses related to the “Episcopate” (the Bishop.)
- Helen Hagemeyer Fund – Income from this fund is restricted by the donor for support of mission churches.

Other Funds: There are four non-endowment funds of which the Diocese is the beneficiary of the investment income but has no investment management oversight. The 2018 distribution from these funds is budgeted at 5%:

- Catton Fund – Income is restricted by the donor for retired church workers.
- Parke Trust Fund (Unrestricted)
- Prisanlee Fund (Unrestricted)
- Valvon Fund (Unrestricted)

Page 3, Line 1c: Rental Income - Cluett Apartments

Rental income comes from the six units in the diocesan-owned Cluett Apartments on the *mauka* side of Queen Emma Square next to St. Peter’s Church. Management and tenant oversight of the Cluett Apartments is currently outsourced with no direct involvement by the Office of the Bishop. Five units are rented to tenants and one Cluett unit is used by the chaplain of St. Andrew’s Schools.

Page 3, Line 1d: Rental Income - MacCray House

At the October 2016 convention, a motion was proposed and adopted to have the Diocese rent out MacCray House for \$36,000 annually and use the income to employ a part time Youth Minister. Renting the house proved not to be feasible, and at the present time the Diocesan Council has approved a measure to explore the sale of the property.

Page 3, Line 1e: Parking

Parking income is from the rental of Diocesan parking spaces in the parking lot behind the Memorial Building (the Office of the Bishop is located on the second floor of the Cathedral’s Memorial Building). These spaces are rented to the St. Andrew’s Schools and four other individuals.

Page 3, Line 1f: Interest

This represents the interest earned on Diocesan cash accounts.

Page 3, Line 1g: Miscellaneous

Miscellaneous gifts and other income are included in this line item.

Page 3, Line 1h: Prior Year Surplus

The amount budgeted in 2017 as Prior Year Surplus was used to pay for the Strategic Initiatives project - see line 10l. There is no surplus budgeted in the 2018 budget proposal.

EXPENSES

Page 5, Line 2a: Native Hawaiian Ministry Committee

This line item is for travel for individuals to attend meetings of the Anglican Indigenous Network (AIN) and other local- and church-wide indigenous ministry events. This Committee maintains close contact with other indigenous peoples and their faith communities throughout the United States and the Worldwide Anglican Communion. The Committee on Native Hawaiian Ministry offers various opportunities for education and mission. More recently, this line item has helped to fund diocesan workshops on various aspects of Hawaiian culture and tradition offered by committee members and invited guests. The decrease from \$5,000 to \$3,000 for this budget item brings the proposed budget more closely into line with actual expenses in past years.

Page 5, Line 2b: Pacific Islander Ministry Committee

The intent of this budget item is to provide for and facilitate activities and services for Pacific Islander youth and their families in Hawai'i. A majority of this target population is underprivileged, underrepresented, and underserved. Primary reasons include, but are not limited to, socioeconomic distress resulting from disenfranchisement and displacement from their respective island homes and culture, under-education, and underemployment. The Pacific Islander Ministry meets the needs of this targeted group by developing and providing services that include distribution of food and meals, education, recreation and social activities, pastoral visitations and church services. The support will still be needed to support the ministries as the diocesan staff position is eliminated in 2018.

Page 5, Line 2c: Pacific Islander Missioner

This line item is eliminated from the budget in 2018.

Page 5, Line 3a: Audit Expenses – Missions

The Diocese includes in its budget the funds for missions and aided parishes to have an annual audit conducted. This is a national canonical requirement, coming from an action of the General Convention of the Episcopal Church. (Parishes also are canonically required to have an annual audit, but at their own expense.)

Page 5, Line 3b: Calvary

The purpose of this financial support is to assist in re-establishing Calvary as a viable Episcopal Church in Kaneohe (see <http://www.calvarykaneohe.com>).

Page 5, Line 3c: Grace, Moloka'i

This line item supports the ministry of Grace Church on Moloka'i. The Council has determined that this is an essential ministry of the Diocese of Hawai'i. Council encourages other churches in the Diocese to greater engagement with Grace Church, including urging support of their thrift shop and consciously visiting the congregation when possible.

(<http://www.gracechurchmolokai.com>)

Page 5, Line 3d: St. James'/St. Columba's

This line item supports ministry at St. Columba's, Pa'auilo, as part of a revitalization effort from St. James' Church, Waimea (see <http://stjameshawaii.org>). St. Columba's Church was made a preaching station (Unorganized Mission) some years ago. In the past few years, a Sunday morning congregation has been re-established. It began by using Sunday supply, then moved into a Lay Pastor mode. As of August 2015, the mission replant efforts moved into their next phase, which is a Priest-in-Residence model. Significant needed repairs have been made to the vicarage and church. The situation at St. Columba's will be evaluated in 2018 with the intent of determining whether continued Diocesan support is warranted or necessary, and if so what shape will it take as it is integrated into the life of a "regional" Parish. Council affirms this creative shared ministry project on the Big Island.

Page 5, Line 3e: St. Jude's, Ocean View

This budget account supports the ministry of this isolated Big Island congregation. St. Jude's is a small Organized Mission with significant outreach to its community, offering a space for senior citizens to meet, free internet for students, weekly hot showers and meals for the homeless, and spay and neuter clinics for dogs and cats. For weekly sacramental ministry, the congregation employs a Priest-in-Residence model with visiting clergy.

Page 5, Line 3f: West O'ahu

This budget allocation supports the shared ministry of St. Nicholas-Kapolei, St. John the Baptist-Waianae, St. Stephen's-Wahiawa and St. Timothy's-Aiea. While a review of the operations and structure by the Council continues, the region has made some improvements in financial accountability and in transparency. The Council continues to monitor the feasibility and vitality of this shared ministry initiative.

Page 5, Line 4a: Camp Mokulē'ia

Camp Mokulē'ia has operated "Hui Pu," the Diocesan youth summer camp, since 2016. The camp consists of a high school program, a middle school program, and a shorter elementary school (entering grades 4-6) program. Like A Cup of Cold Water and St. Andrew's Schools, Camp Mokulē'ia is a subsidiary of the Episcopal Church in Hawai'i. These funds help with the program.

Page 5, Line 4b: Christian Formation

This line item allows the Diocese to encourage and aid congregations in the areas of adult and children's education. It includes diocesan membership fees for such programs as Education for Ministry (EfM) and Godly Play. The amount provided will fund the costs of speaker(s), logistical support, and some scholarship funds for diocesan formation events. The Christian Formation budget account can aid congregations and educators seeking resources to support local Christian education initiatives. Funding is also included to cover the costs of developing and holding the Diocesan Convocation, an annual diocesan gathering for the purposes of formation and mission called for by the 2007 annual meeting of the Convention. The amount budgeted for this line item in 2018 is reduced to bring it in line with actual expenses for this purpose.

Page 5, Line 4c: Diversity Training

This funding is to assist in diversity training, communication, and resource development for congregations and individuals. The training was mandated by resolution of the General Convention. Based on the promises in our Baptismal Covenant to "seek and serve Christ in all persons, loving [our] neighbors as [ourselves]" and to "respect the dignity of every human being," we must seek to create dialogue on racism; to facilitate respect for diversity; and to promote healing, reconciliation, and transformation in our members and institutions. The Diocese continues to seek a contextually appropriate and volunteer-friendly means for such training on a broad level.

Page 5, Line 4d: EYE Reserve

Every three years, there is a nation-wide Episcopal Youth Event. It was on July 10-14, 2017 on the campus of the University of Central Oklahoma in Edmond. It is the Diocese's policy to fund one-third of the cost, while expecting parish and individual support to cover the balance. This amount will go into the reserve fund for the next EYE just as the Diocese reserves funds each year for General Convention.

Page 5, Line 4e: Planned Giving

This funding is to help congregations encourage members and friends to remember the Church in their wills or estate plans. The Diocese offers a program of education and direct support for congregations, and works with the Episcopal Church Foundation (ECF) on marketing, training, and gift planning. This line item also funds the annual Ho'ike Ulu Legacy Society events that honor good stewards who have remembered their congregations, the Diocese, or another ministry in their wills or estate plans.

Page 5, Line 4f: Safe Church Training/Sexual Misconduct Prevention

This line item funds canonically required training. In 2017, the Diocese has gone to individual online training for preventing sexual misconduct against both children and adults. The online training is less costly than hiring local trainers, so the budget allocation can be reduced. This training is required by General Convention resolutions and by diocesan policy.

Page 5, Line 4g: Stewardship

This line item supported the ministry of stewardship in the Diocese and engaged congregations in a greater understanding of stewardship, with a focus on congregational giving. In 2018, these responsibilities will be handled by diocesan staff without a separate budgetary line item.

Page 5, Line 4h: Youth and Young Adult Ministry

This line item in 2017 was intended to provide programs for youth and young adults that are viable, thriving, spiritually refreshing, resourceful, cost-effective, and, most importantly, God centered. There is currently no diocesan staff member directing this ministry and there is no current plan for such a staff position. The present proposal for the sale of MacCray House includes a requirement that the proceeds of the sale be set up in a separate fund to be used to support youth and young adult ministry, making this line item unnecessary in 2018.

Page 6, Line 5a: A Cup of Cold Water

A Cup of Cold Water (ACCW) is a community-based Care-Van outreach program on the island of Maui, formed by a group of committed Episcopalians from Good Shepherd, Holy Innocents, St. John's and Trinity By-the-Sea. Like Camp Mokulē'ia and St. Andrew's Schools, ACCW is a subsidiary of the Episcopal Church in Hawai'i. The program is a food and clothing distribution service for the poor and needy in the community, and uses the care-van to deliver essential food, hygiene and clothing items throughout the island. With a strong volunteer base from the Episcopal Churches on Maui, the program is growing and now includes churches from various denominations. (See <http://www.episcopalhawaii.org/a-cup-of-cold-water.html>)

Page 6, Line 5b: Ecumenical/Interfaith Relations

This line item supports efforts to build relationships with, and community among, other faiths through shared communication and participation in the areas of faith-based, spiritual, and social issues aligned with the mission of our Diocese. Institutional membership in The Interfaith Alliance Hawai'i (TIAH) and representation on the Board of Hawai'i Council of Churches Fund (HCCF) are part of this support. The 2018 budget also include funds for Pacific Health Ministries and the Samaritan Counseling Center (which does the psychological testing for those in the ordination process that is required by church canon.)

Page 6, Line 5c: Prison Ministry

This line item is to pay for a part-time chaplain for a new prison ministry in the State of Hawaii. It will also pay for related expenses such as supplies needed for current Makahiki, Baibala, and Bacpac programs, which seek to facilitate a fruitful reentry to society of the pa'ahao (prisoners) in Hawaii's prisons. Diocesan Council views this as an important living out of the gospel, "...I was in prison and you visited me." (NRSV, Matthew 25: 36) A new committee will be established to assist with this ministry, and a task force will be appointed to monitor, administer and evaluate this new initiative.

Page 6, Line 6a: Church Administration Development

In 2016 and 2017, this covered the expenses of a one-day conference for diocesan church administrators, secretaries, offices managers and similar positions. Most of the funds were for airfare for one administrative position from each church in the Diocese. This type of training has been rolled into a more comprehensive line item for Lay Leadership Development. (See below.)

Page 6, Line 6b: Lay Leadership Development

In the proposed 2018 budget, the concept of a conference for church administrative staff like that held in 2016 and 2017 has been expanded to include other types of lay leadership such as wardens, vestry members, bishop's committee members, and treasurers. The increased budget will allow participation in training of this type by appropriate leadership from all islands.

Page 6, Line 6c: Clergy Leadership Development

This renamed line item was called "Clergy Conference" in prior years, and funds the expenses, mostly airfare, for two Clergy Education Days per year and provides a substantial subsidy for the annual clergy retreat. It also includes funding for two meetings per year of the vocational Deacons with the Bishop, and annual membership dues in the Association of Episcopal Deacons

(AED) plus attendance by a Deacon from the Diocese at an AED conference. This line item also can cover the airfare for clergy spouses to attend the Clergy/Spouse Dinner, if there is one, during the annual meeting of the Convention, and planned Clergy Spouse events.

Page 6, Line 6d: Curacy Support

This account continues to fund the opportunity for newly graduated seminarians from the Diocese to return to Hawai'i after ordination. This may be as an assistant or as the clergy-in-charge of a small congregation. The intent is to make it possible for newly ordained seminary graduates from Hawai'i to serve at least two years under the mentorship of an experienced priest in the Diocese and to grow in ministry in our unique context. So far, there have been two clergy serving in this program, one presently at St. Nicholas in Kapolei (curacy ending in the fall of 2017) and St. Andrew's Schools (curacy ending in mid-2018.) Two seminarians are expected to graduate from seminary in 2018 and will be placed in curacies upon their graduation.

Page 6, Line 6e: Commission on Ministry (COM)

In the 2017 budget this line item was called "Other." In 2018 it is renamed "Commission on Ministry" and includes expenses that in prior years were covered by the "Other" line item as well as "Seminarian Support" and "Waiolaihui'ia, the Local Ordination Formation Program." This is a consolidation of expenses that fall under the Diocesan Commission on Ministry. Included items are:

- Seminarian support in the amount of \$1,000 per semester to help cover tuition for anyone being sponsored for ordination by a congregation in the Diocese of Hawai'i and attending a seminary. The Diocese expects to have two seminarians graduating in mid-2018 and two graduating in mid-2019 (attending Yale Divinity School; the School of Theology, University of the South; Seminary of the Southwest; and Virginia Theological Seminary.)
- Now in its sixth year, Waiolaihui'ia is the Hawai'i program for those being formed for ordination to the priesthood or vocational diaconate. This program is intended to provide training and formation for mature persons, grounded in the local cultures of Hawai'i, for whom the disruption and cost of mainland seminary is not feasible. Whether employed, self-supporting, or retired, these persons have the flexibility and stability to serve a congregation as priest-in-charge, rector, long-term supply, or deacon. Graduates of Waiolaihui'ia are expected to meet all canonical requirements for ordination.
- Other items that are part of the work of the Commission on Ministry, such as psychological testing and background checks for those in the ordination process (both of which are required by church canon). Also included are the costs of background checks for candidates for positions as priests in mission congregations.
- Any costs associated with the training and licensing of laypersons to the licensed ministries spelled out in Title III of the Canons of The Episcopal Church.
- The cost of various books, periodicals, and other resources intended to promote leadership or ministry development and discernment throughout the Diocese.

Page 6, Line 6f: Seminarian Support

Before consolidation in 2018 under “Commission on Ministry” above for budgeting purposes, this was the line item that covered the tuition assistance for seminarians from the Diocese of Hawai‘i.

Page 6, Line 6g: Waiolaihui‘ia, The Local Diocesan Ordination Formation Program

Before consolidation in 2018 under “Commission on Ministry” above for budgeting purposes, this was the line item that covered the local formation program.

Page 6, Line 7a: Diocesan Council Grants

The Diocesan Council reviews and funds grants to congregations for new projects and programs. The dollar amount of grants available in 2018 is the same as in 2017.

Page 6, Line 7b: Diocese Fundraising Consultant

In 2017, this line item was created in response to the Episcopal Diocese of Hawai‘i participating in Project Resource of the College of Bishops. This budget item is not needed in 2018.

Page 6, Line 7c: Bishop’s Emergency Reserve

This is an emergency fund to aid congregations on the recommendation of the Bishop to Diocesan Council. These funds are used for unplanned emergencies that threaten the ministry of the congregation. The adjustments in this line reflect both the nature of emergencies and the need for quick response. These emergencies are often expensive to address (retaining walls, sewer systems, plumbing, electrical, etc.) and the Diocese usually can provide partial help.

Page 6, Line 7d: Treasurers’ Consultations

This has covered the travel costs for new treasurers from congregations to meet with the Diocesan Treasurer on matters relating to their duties and responsibilities. This expense is now covered under Lay Leadership Development.

Page 7, Line 8a: Bishop

This line item includes the compensation and benefits for the Diocesan Bishop.

Page 7, Line 8b: Bishop’s General Convention Travel

This line item supports the annual allocation to create a reserve fund for travel and meeting costs for the Bishop to attend the triennial General Convention of the Episcopal Church.

Page 7, Line 8c: Executive Assistant

This line item includes the compensation and benefits for the Bishop’s Executive Assistant. The Executive Assistant/Administrative Manager provides administrative support to the executive leadership team and brings organization to the office’s leadership functions.

Page 7, Line 8d: Hospitality

This supports the Bishop’s ministry of hospitality. As part of his episcopal responsibilities, he exhibits Hawai‘i’s aloha spirit and hosts individuals and groups, reciprocates hospitality, and develops partnerships. This also includes funding for the Bishop to support the fundraising

activities of the entities on whose board of directors he serves by virtue of the office (St. Andrew's Schools, 'Iolani School, Seabury Hall, and Camp Mokulē'ia).

Page 7, Line 8e: Keyman insurance

This line item provides the insurance premium for the Bishop's life insurance benefitting the Diocese in the event of the Bishop's death.

Page 7, Line 8f: Travel and Continuing Education

This covers the Bishop's inter-island travel (parish visitations, regional and clerical meetings, search and vestry consultations, and other meetings), mainland travel (House of Bishops' meetings), spousal travel, and other unanticipated travel.

Page 7, Line 9a: Academic Dean

This represents the salary paid to the Academic Dean who oversees the local training program for ordination (*Waiolahui 'ia*).

Page 7, Line 9b: Bookkeeper

This line item represents the pay and benefits for the bookkeeper. The bookkeeper performs general accounting duties, maintains computer records of financial transactions, keeps track of accounts, and verifies the accuracy of procedures used for recording financial transactions.

Page 7, Line 9c: Admin. General

This line represents the pay and benefits for the half-time general duty Administrative Assistant. The position provides administrative and reception support to staff, helping relieve office staff of clerical work and administrative and business details by performing general office operations.

Page 7, Line 9d: Admin. Program Support

This line represents funding for half-time temporary help and contingency staffing. It allows for flexibility in providing staff support for special projects and programs.

Page 7, Line 9e: Canon for Congregational Life and Leadership

This staff position focuses on working with regions and congregations to equip leaders (lay and ordained) to engage in God's mission in these islands. Particular focus is given to congregational development, stewardship and formation (especially as it strengthens lay and clergy leaders and advances the mission of the Church to make disciples.) This staff person will also encourage and help equip congregations to establish alternative Christian communities and reach new populations. The position is budgeted at the same level as the Canon to the Ordinary in past years.

Page 7, Line 9f: Business Manager

This line represents the pay and benefits for the renamed Business Manager (formerly Office/Property Manager.) This position is responsible for contracts, leases, some insurance and property and assisting the treasurer on financial-related tasks. This position is also coordinates Education Day and Annual Meeting.

Page 7, Line 9g: Treasurer

This line represents the pay and benefits for the Treasurer, who is the Chief Financial Officer of the Diocese, overseeing all issues of investments, finances, accounting, real estate, insurance, planned giving, and taxes.

Page 7, Line 9h: Youth Minister

This line item for 2017 included some of the compensation and benefits for a Youth Director. At the October 2016 Convention, it was voted to partially fund this position for 2017 by renting out MacCray House. (See Footnote 1c.) MacCray House was not rented out, and is now being considered for sale. If this materializes, part of the proposal is that the proceeds be set aside to fund programs for youth and young adults, which will be outside the annual budget.

Page 7, Line 10a: Advertising

In past years, this covered the cost of advertising in telephone books. Since telephone books are almost a thing of the past, there is no appropriation proposed for 2018.

Page 7, Line 10b: Archives

This line item covers the cost to maintain the archives for the Diocese of Hawai'i, including archival supplies, pest management, and reproduction of images from other institutions, exhibits, and attendance by our volunteer Diocesan Historiographer at a professional development conference.

Page 7, Line 10c: Audit Expenses - Diocese

This line item covers the cost of contracting with a certified public accounting firm to conduct an audit of the diocesan financial records and to prepare a report as annually required by the Canons of the Episcopal Church.

Page 7, Line 10d: Chancellor's Expenses

This line item allows the Chancellor to participate in the Western Chancellors' Conference, and provides access to a computer research service and certain publications in support of the legal assistance that the Chancellor's Office gives to the Diocese and its congregations and institutions.

Page 7, Line 10e: Church Internet/Website support

This line item provides for assistance with the costs of maintaining the websites for Churches. The budgeted amount is lowered to more closely match actual costs.

Page 7, Line 10f: Contract Communications Coordinator

This covers the contract for the Editor of the e-News/e-Chronicle and Webmaster of the Diocesan website.

Page 7, Line 10g: Diocesan Convention

This line item covers the unreimbursed cost of holding the annual meeting of Diocesan Convention, including area meeting costs, convention meeting costs, supplies, materials, and

postage. This cost is net of registration fees/meals and shared travel costs. It also includes an amount for temporary staff. The budgeted amount for 2018 is significantly higher than 2017 because the 2018 convention will be held on Hawai'i Island.

Page 7, Line 10h: Directors & Officers Insurance

This provides for liability (errors & omissions) insurance to insure The Episcopal Church in Hawai'i, its directors, officers and volunteers. The insurance premium is based on claims experiences and market conditions.

Page 7, Line 10i: General Convention Deputy Support

This line item provides for the annual accumulation of funds to be held in reserve over three years to support the eight deputies and two alternates from our Diocese who attend the triennial General Convention of the Episcopal Church (the next one scheduled for July 5-18, 2018 in Austin, Texas).

Page 7, Line 10j: Legal and Related Expenses

This represents legal and related costs incurred by the Diocese. Unexpended legal expenses up to \$5,000 will be set aside as a reserve to cover potential future legal expenses.

Page 7, Line 10k: Meeting Costs: Other

This line item provides funds for incidental and travel costs for meetings that arise because of emergencies or other unanticipated circumstances.

Page 7, Line 10l: Strategic Initiatives

This budget account is for contracting a consultant to lead the Diocese in a Mutual Ministry Review, a Personal Professional Evaluation (PPE) of the Bishop and also a Strategic Plan. The bulk of this work has been conducted in 2017; the budget amount for 2018 is to facilitate implementation of the Strategic Plan upon its adoption.

Page 7, Line 10m: Office Expenses

This line item includes telephone, copying costs, equipment maintenance, computer help, subscriptions, postage, equipment purchase, supplies, etc. The budget also includes the cost of software and computer upgrades and staff training.

Page 7, Line 10n: Property - Cluett

The Diocese owns the Cluett apartments located on Queen Emma Square. Management of the apartments is contracted out to a property manager. This account covers the cost of water, repairs of the apartments, property and liability insurance, property management fees, and general excise tax.

Page 7, Line 10o: Property - Diocese

This account covers general liability and umbrella insurance as well as the cost of maintenance of the trees on the diocesan parking lot.

Page 7, Line 10p: Property - MacCray House

This covers the cost of keeping and maintaining the MacCray House near the University of Hawai'i–Manoa. If the property is sold, this amount will not be needed.

Page 7, Line 10q: Property Taxes – Cluett Apartments and Parking Lot

This line item pays the property taxes on the parking lot and the Cluett apartments rented for income by the Diocese.

Page 7, Line 10r: Province VIII Quota

This line item funds the voluntary assessment the Diocese pays to the Province. Hawai'i is part of Province VIII of the Episcopal Church, and this is the amount the Diocese pays to help with Provincial programs and administration. Through the Synod (the official meeting of representatives of the Province), the Province encourages a voluntary assessment rate. Unfortunately, dioceses have failed to respond at that level. This line item was reduced in 2017 to bring our diocesan voluntary contribution into proportionate parity with other dioceses in Province VIII.

Page 7, Line 10s: Staff Continuing Education

This line item covers the cost of continuing education for the Office of the Bishop staff.

Page 7, Line 10t: Staff Support Costs

This line item covers support costs for special projects for all staff members in the Office of the Bishop.

Page 7, Line 10u: Storage

This budget item covers the cost of storing records in a secure, off-site location due to space limitations in current office quarters.

Page 7, Line 10v: Technology Support

Included in this line item is the contract for outsourced IT support and the purchase of needed technology.

Page 7, Line 10w: The Episcopal Church Quota (Assessment)

This funds the assessment the Diocese pays to The Episcopal Church nationally to contribute toward its work and ministry. It is based on Diocesan income, which includes parochial giving, unrestricted operating investment income, and restricted investment income used to pay operating expenses for the respective years. The National Church asking, after deducting a \$150,000 exemption from Diocesan income, is computed at a flat rate. At the General Convention in Salt Lake City in 2015, the rate was set to decrease over the next three years from the 19% assessed in 2015 to 15% in 2018. This will be accomplished by lowering the rate incrementally to 18% in 2016, 16.5% in 2017, and 15% in 2018. At the same time, dioceses that have not been paying the full asking/assessment are expected to do so by the end of the three years. The Diocese of Hawai'i always pays the full asking amount of the General Convention.

Page 8, Line 11a: Cathedral Capital Reserve

This line item acknowledges that the Diocese needs to share costs of capital improvements of the Memorial Building (for example, the roof). This reserve fund will allow Council to respond to such needs.

Page 8, Line 11b: Diocesan Office Cleaning Expense

This budget item covers the cost for cleaning of the Office of the Bishop.

Page 8, Line 11c: Security Shared with the Cathedral

This is the Diocese's portion of the cost of maintaining security for Queen Emma Square. The other Episcopal entities on the Square share the cost of these services.

Page 8, Line 11d: Shared Cathedral Expenses

The Diocese pays a portion of the Cathedral's maintenance budget because of the presence of the Office of the Bishop on the second floor of the Memorial Building. This is a non-assessable building use expense reimbursement.

Page 8, Line 12a: Travel – Governance Groups

This line covers the cost of travel and online meeting costs for meetings of the governance groups of the Diocese, including Standing Committee, Diocesan Council, Compensation Review Committee, Commission on Ministry, and for clergy and warden meetings with the Bishop.

Page 8, 12b: Staff Travel

This line item support the ministries of members of the Office of the Bishop staff and the Treasurer by funding travel to all islands in the state and to North America for meetings, consultations, and church-related programs.

Page 8, Line 13a: Kapolei land

This budget line pays the property taxes and other expenses to maintain property purchased in Kapolei for future construction of a church in this growing area of O'ahu. Until a church facility is built on the site, the Diocese must pay property taxes.

Page 8, Line 13b: Medigap Program

This line item provides a subsidy to eligible retired clergy and their spouses to cover a portion of their Medigap insurance costs.