

Economia[©]

A periodic publication of the Diocese of the South, Orthodox Church in America-Spring 2018

CHRIST IS RISEN!

The first issue of *Economia* published several months ago addressed some frequently asked questions and also raised additional questions. All in all, it appears to have been well-received. A half-dozen copies were mailed to each parish, but you can also find it at the web site, www.dosoca.org/ if you have not yet seen it.

In the interim since that first issue, we have taken note of the financial difficulties encountered by the Greek Orthodox Archdiocese of America. The steps taken to achieve their resolution has revealed several key factors, largely process related, that brought about those difficulties. According to the *Orthodox Observer*, January-February 2018, *The Archdiocese overcame its legacy financial challenges by introducing a new leadership team and organizational structure, implementing new policies and procedures to control and govern expenditures, a material reduction in operating cash costs, and the creation of budget that will allow for the dynamic monitoring and management of the Archdiocese finances*".

The Archdiocese is to be commended for taking decisive action with these positive initiatives to achieve and sustain financial stability. Significantly, excessive operating cash expenses and the use of certain restricted accounts to fund operations were among the adverse findings.

By way of comparison with

the financial and administrative operations of the Diocese of the South, you can rest assured that your money in parish savings accounts and church friendly loan accounts is not diverted to fund operations. Administrative and other cash operations expenses in 2017 were well under the \$797,919 income received from tithes, donations, investments and other income.

Nonetheless, 2017 results reported a loss of \$319,686 due especially to the credits applied in satisfaction of previous commitments and pre-existing agreements. Tithe credits are essentially rebates to reduce parish loans outstanding under the managed debt program.

The outsized impact of tithe credits has been a matter of special attention since 2016, when a graduated phase-out was proposed and announced at the Assembly but not adopted and, therefore, not implemented. The Diocesan Council at its February meeting this year discussed and, with a modified structure and timetable, established a schedule for implementation this year. Parishes that now receive tithe credits that are equivalent to 100% of tithes sent to

the diocese and which have received those credits for two years will be reduced to 66% credits on July 1 of this year. Parishes that have received the credits for four years will be reduced to 33% on October 1 of this year. Any parishes that have received them for six or more years will no longer receive tithe credits from January 1, 2019, and thereafter. Going forward, existing tithe credits or "rebates" will be phased out on this graduated sched-

GRADUATED TITHE CREDIT/GRANT SCALE

0-2 YEARS	100 % OF PREVIOUS YEAR AVERAGE TITHES
2-4 YEARS	66% OF PREVIOUS YEAR AVERAGE TITHES
4-6 YEARS	33% OF PREVIOUS YEAR AVERAGE TITHES
6+ YEARS	0% OF PREVIOUS YEAR AVERAGE TITHES

ule and offered for qualified new projects in the form of grants according to a similar schedule displayed in the nearby diagram.

The beneficial outcome of this policy will be the weaning, if you will, of parish project finance from permanent reliance on the Diocese. Construction, renovation or acquisition projects that qualify for diocesan support will be expected to stand on their own merits and parish support by the seventh year. Correspondingly, the policy will enable the Diocese to become stronger over time and more
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able to assist additional parishes and missions without in any way compromising its own financial stability.

OCA ASSESSMENTS

Diocesan fiscal constraints are perhaps illustrated best by a single comparative ratio. Diocesan administration expense last year totaled 38% of tithe income (net of building fund tithes), while the assessment for support of Orthodox Church in America was at 34%. In other words, thirty-four cents of the tithe on your general offerings is not retained and available to the Diocese for its own operations or for parishes and missions within the diocese, but rather is forwarded to the national church, the OCA, under the proportional giving formula in effect.

Recently, the Chancellors and Treasurers of all OCA dioceses met in Syosset, NY, to discuss their financial condition and to consider the assessment formula for financial support of the OCA during the 2019-2021 Triennium. Our diocesan Chancellor, Very Rev. Fr. Marcus, and Interim Treasurer, Noel Busch, attended. Much of the discussion focused on the experience with proportional giving that has been in effect during the current Triennium. Proportional giving replaced the previous per capita assessment, which by all accounts had become unsustainable. In short, proportional giving places the burden of budgeting on the parish to live within the means provided by its members, rather than imposing a fixed assessment on the members (“head tax”) and then budgeting accordingly.

However, the proposals under consideration at the Syosset conference in effect placed the onus on each diocese to meet their share of the OCA budget, even if that would mean an increase in the assessment

percentage, which actually would have been a result of the OCA proposal. Your diocesan Chancellor and Treasurer expressed opposition to the proposals and argued in favor of the OCA doing its best to live within the means provided, despite an already strained budget. In response to several proposals offered by other conferees, your Chancellor and Treasurer offered possible compromises that failed to gain support.

In the final analysis, the conference adopted a formula over the objection of the Diocese of the South and abstention by the Diocese of the West that would increase the assessment on the Dioceses of the South, the West and the Midwest, while lowering the assessment on the northeastern dioceses. On review and consideration of this action by the Metropolitan Council at its subsequent meeting, those increases were not supported, so our assessment remains at 34%.

SAVINGS AND LOANS

The Diocese of the South is not a financial institution. However, its financing activities bear a resemblance to a Mutual Savings Bank or a Savings and Loan Association. The capacity of the Diocese of the South to help support building, acquisition or renovation projects rests solely on the monies held in parish savings accounts and on the individual faithful who wish to invest in the growth of the Orthodox Church by way of loans to the diocese. The diocesan financing activities operate, more or less, like a mutual aid society. It has also been referred to like the motto: *One for all, and all for one*. This structure has worked to assist with many needs and projects, especially where conventional financial institutions balked at getting involved with church finance.

In order to increase the capac-

ity of these activities, we have worked at identifying financial institutions that are willing to finance church construction projects. Thus far, nine have been identified that expressed their willingness and quoted reasonable terms. In addition, we understand that the Orthodox Church Capital Improvement Fund (OCCIF) is planning to announce at the All American Conference in July that it has gained approvals to raise funds nationally. These are very positive developments.

At the same time, we have reviewed interest rates paid by the diocese and concluded that an external standard or index will serve the needs best in the long run. Therefore, effective July 1, savings account rates will be pegged to a margin over and above the 52-week average 10-yr U.S. Treasury Note Rate as published in the Wall Street Journal. The rate will be adjusted annually on January 1 and will go a long way toward eliminating any arbitrariness in setting savings rates. If that index were in effect today, the rate for diocesan savings accounts would be a maximum of 3.45%. Direct loans by the diocese will be set at a margin over and above the savings rate. Because Church Friendly Loans are offered by individuals at a lender requested rate, this index will be used as a guide rather than as a strict standard for those loans.

TIPS AND TRENDS

If your parish has not set up a Deferred Maintenance Account, do it now. It does not matter what amount you start with, whether \$50 a month or \$500 a month. Set the amount aside in reserve for the inevitable repair or replacement that will require extra funds. You might also consider placing those funds on account with the diocese to earn a very competitive interest rate. ☩