



# Assessment Formula Review

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September 2023



# Background

- Significant discussion of budget and assessment at 173<sup>rd</sup> Annual Convention
- Commenced review of assessment formula following the 173<sup>rd</sup> Annual Convention
  - Led by Treasurer, Finance Committee and CFO
  - Executive Council established Assessment Task Force as sub-committee



## Background (cont'd)

- Current DioCal assessment formula: a tiered, progressive rate formula:
  - Assessment based on Normal Operating Income (NOI or Line A)
    - 5% of Line A (NOI) up to \$89,742
    - 17% of Line A (NOI) on amounts in excess of \$89,742



# Methodology: Peer Group

- Common to use a comparator group to assess quantitative (i.e. financial, operational) measures
- Established a group of 19 comparable dioceses (“Peer Group”) to evaluate assessment formula
  - Identified current formulas for each peer diocese
  - Collected data on scale/scope of each peer diocese
    - Financials
    - Organization/structure



## Methodology: Peer Group (cont'd)

- Selection of peer group: create a group comparable to DioCal
  - Size range
    - Total revenues from .5x to 2x DioCal
    - Number of congregations from .5x to 2x DioCal
  - Composition: dioceses with urban and suburban geographies
  - Included dioceses with:
    - Retreat centers
    - Schools
- Median statistics closely approximate DioCal



## Methodology: Peer Group (cont'd)

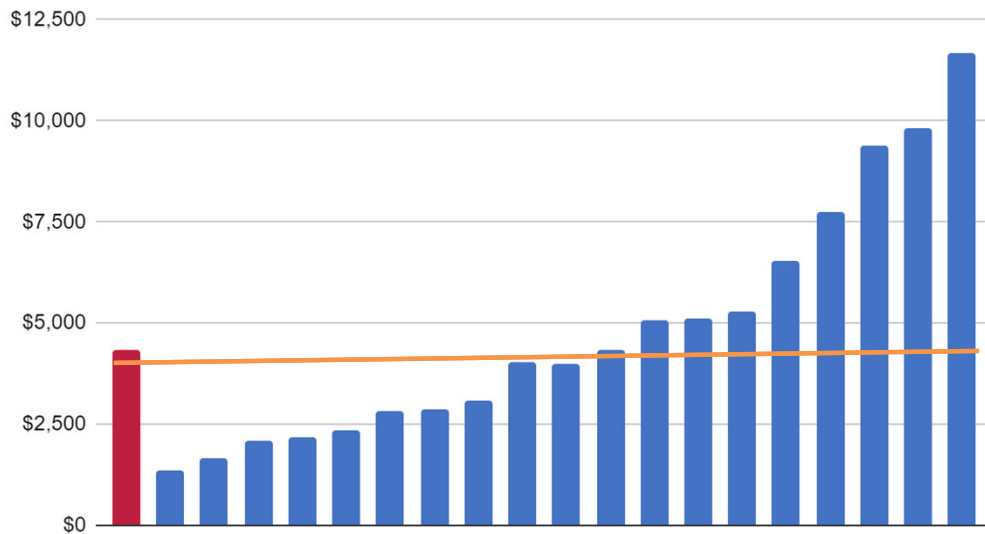
- Arizona
- Chicago
- Colorado
- Connecticut
- Dallas
- Delaware
- El Camino Real
- Georgia
- Hawaii
- Long Island
- Los Angeles
- Maryland
- Massachusetts
- New Jersey
- Northern California
- Olympia
- Oregon
- San Diego
- Texas



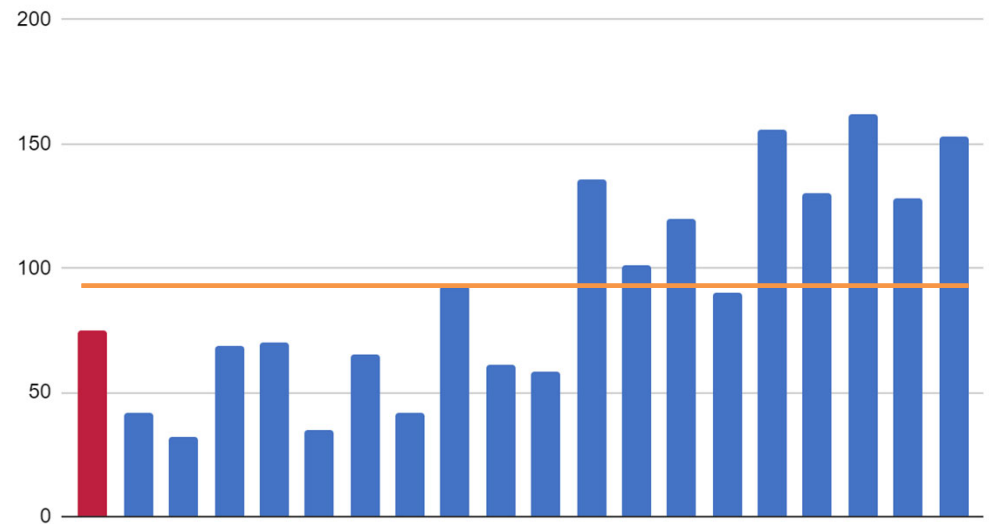
# Peer Group: Scale

- DioCal (red) is comparable to peers
  - Aligns with median total revenues and number of congregations (orange line)

Benchmark Diocese: Total Revenues (000s)



Benchmark Diocese: Number of Congregations





# Methodology: Data Collection

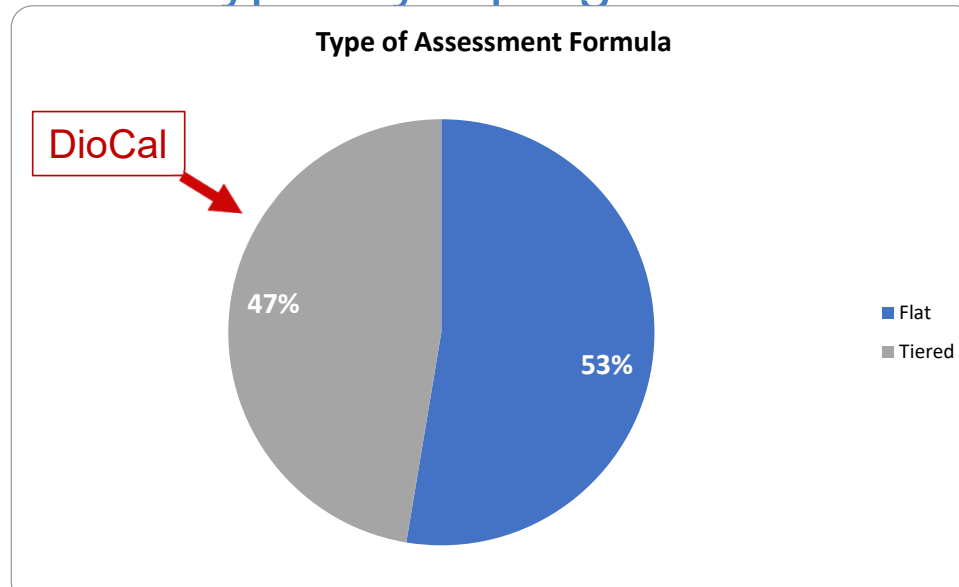
- Obtained data from convention materials, other reports and outreach to diocese staff
  - Validated assessment formula
  - Collected scope data: financial and organizational
    - Revenues
    - Endowment
    - Endowment income
    - Number of congregations and staff
    - Retreat centers and schools





# Findings: Type of Assessment Formula

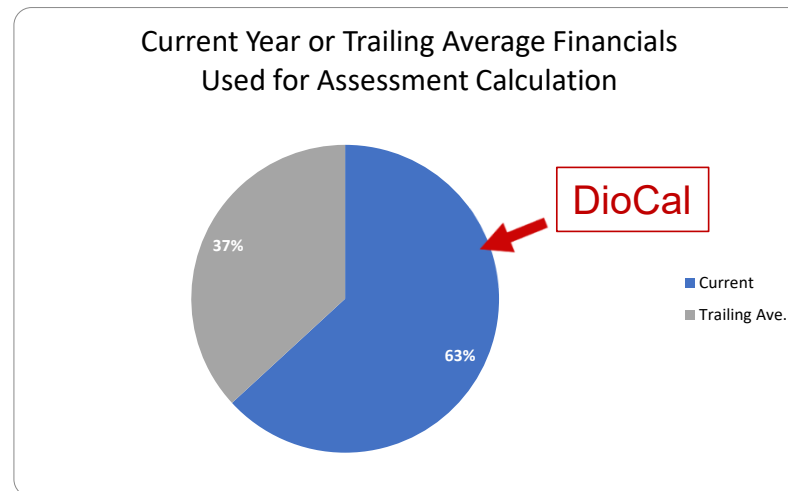
- Peers are about evenly split between flat and tiered formula
  - A tiered formula is typically a progressive rate structure





# Findings: Type of Assessment Formula (Cont'd)

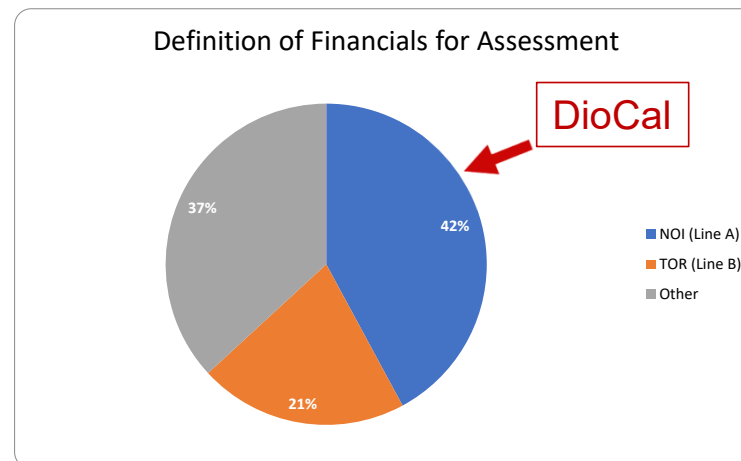
- Most peers use a “current year” approach to defining financials for application of the assessment
  - DioCal uses a current year approach





# Findings: Type of Assessment Formula (Cont'd)

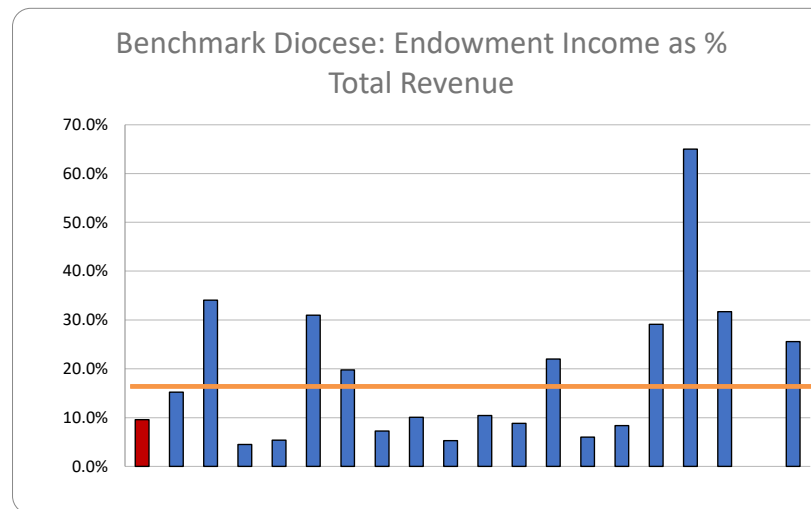
- Peers are roughly split between using:
  - Line A (Normal Operating Income)—DioCal approach
  - Line B (Total Operating Revenue)
  - Other various definitions of income or revenue: no prevalent approach





# Findings: Endowment Income

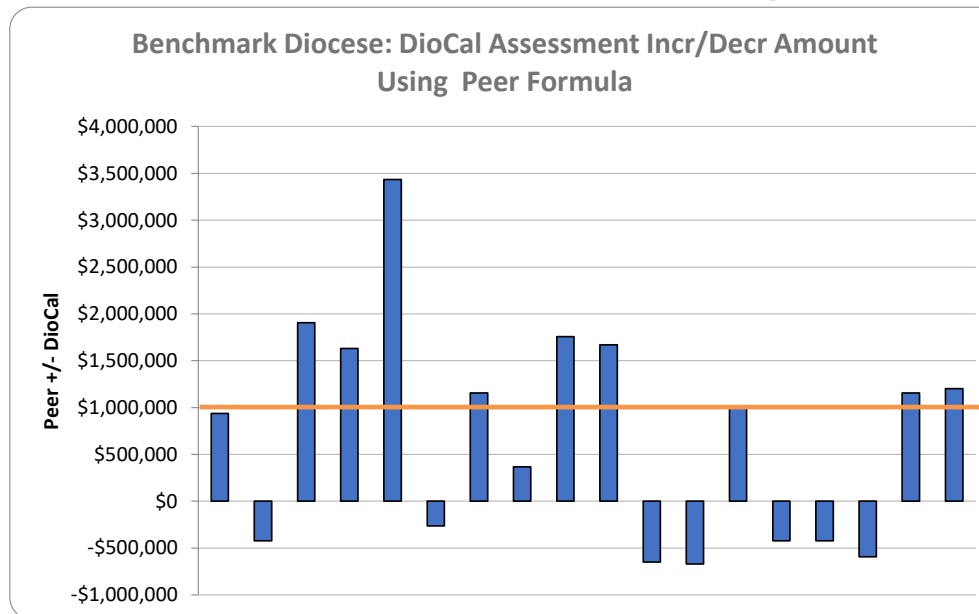
- DioCal endowment income as a percent of total revenues is below median (orange line)
  - Places greater reliance upon assessment revenue and gift income at DioCal





# Modeling Assessment Formulas

- Applying peer formulas to DioCal financials generally results in higher dollar assessments (median = orange)





# Modeling Assessment Formulas

(Cont'd)

- We modeled peer assessment formulas on illustrative DioCal congregations using assumed Line A levels
  - Sensitivity testing of formulas
    - Small: \$250,000
    - Medium: \$500,000
    - Large: \$1 million

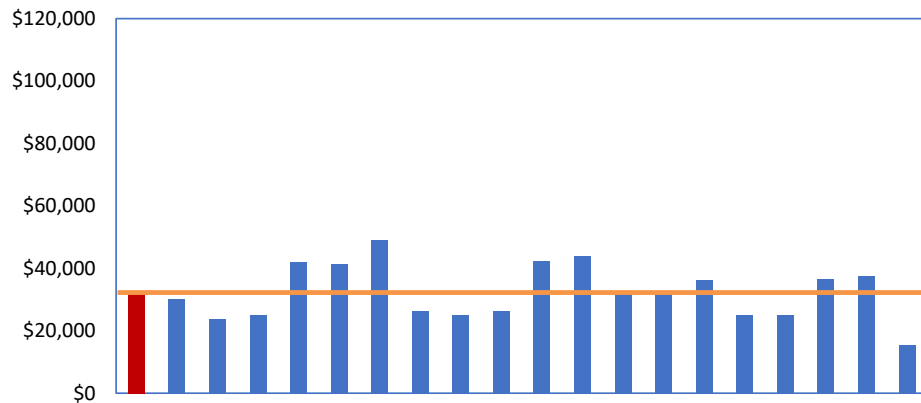


# Modeling Assessment Formulas

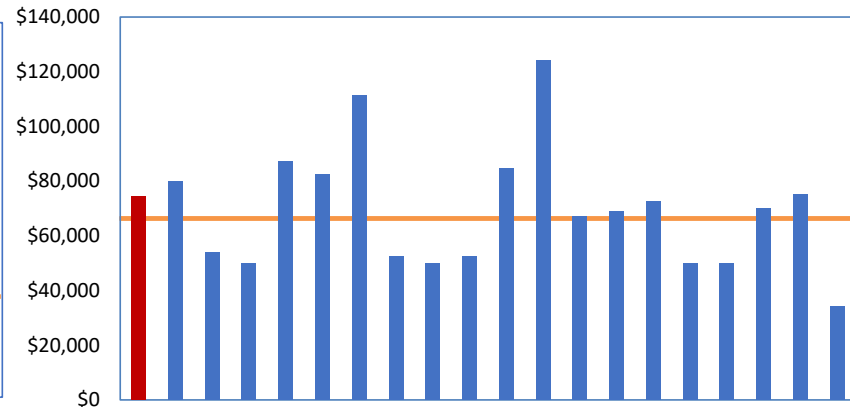
(Cont'd)

- Assessment amounts for DioCal approximate median for the peers for the smallest illustrative congregation
  - DioCal is about 9% above median for the middle illustration

Benchmark Diocese: DioCal Assessment Amount Using Peer Formula  
Small Congregations (Line A of \$250,000)



Benchmark Diocese: DioCal Assessment Amount Using Peer Formula  
Medium Congregation (Line A of \$500,000)



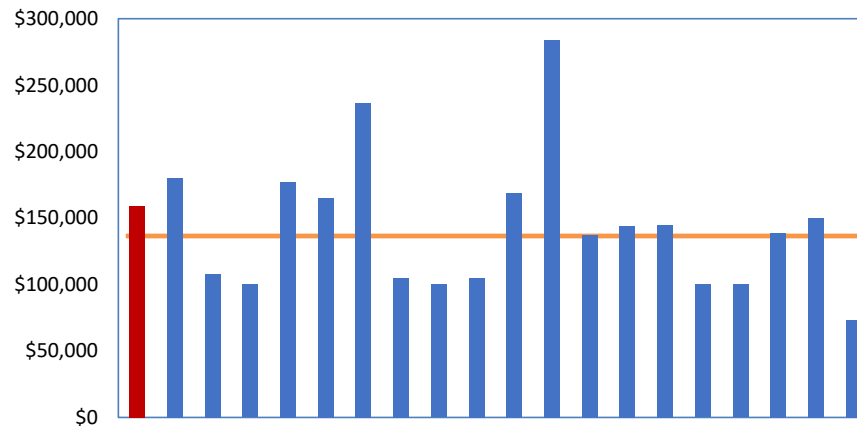


# Modeling Assessment Formulas

(Cont'd)

- Assessments amounts for DioCal are about 15% above median for the largest illustrative congregation

Benchmark Diocese: DioCal Assessment Amount Using Peer Formula  
Large Congregation (Line A of \$1 million)







## Key Findings of Review

- DioCal uses the most prevalent type of formula
  - Tiered formula (vs. flat formula)
  - Most recent year parish financials
  - Use of Net Operating Income (Line A)
- Assessment amounts are comparable to peers for small/medium congregations, but higher for larger congregations



## Key Findings of Review (Cont'd)

- DioCal relies more on assessment revenue than peers
  - Smaller endowment ➡ heavier reliance on assessment
- Finance Committee recommends the Diocese prioritizes growing the endowment in coming years
  - Continue with current assessment formula
  - Increase endowment principal and income received
    - Sources of principal include proceeds from property sales, gifts
  - Revisit assessment formula to reduce burden on congregations
- \$9M increase to endowment  $\approx$  10% reduction in assessment