The United Church of Canada General Council

GCE45 GS06 Approval of 2026-2028 Operating Budget Principles and Assumptions for September 2025

True Document Date: September 25, 2025

1. What is the issue?

The Budget Principles and Assumptions provide the essential foundation for preparing the operating budget of the General Council Office of the United Church of Canada. Once approved by the Executive of the General Council, this document establishes the strategic budgetary direction enabling staff to develop a comprehensive operating budget, which details key elements such as staffing levels, grant allocations, spending parameters, and authorized transfers from various reserves.

The budgeting process is conducted in three stages: (1) consultation with key stakeholders and governors, (2) drafting principles and assumptions that align with strategic priorities, and (3) developing the detailed budget outlining spending parameters at both the unit and strategic objective levels. This structured approach enables the General Council Office to ensure that budget planning remains transparent and responsive to both internal and external challenges. Once the detailed budget is developed, it is subject to regular review to confirm that resource allocation upholds the approved principles and supports the strategic priorities of The United Church of Canada. Ongoing monitoring and evaluation are essential components of the budget cycle, facilitating timely adjustments as financial conditions evolve and ensuring that the organization remains accountable to its mission, stakeholders, and governance bodies. Ultimately, this process reinforces the commitment to fiscal responsibility, strategic alignment, and effective stewardship of the church’s resources, even in a context of uncertainty and change.

The church is addressing ongoing financial uncertainty, heightened by the pandemic, while advancing its emerging strategic plan. Historically, the General Council Office has responded to declining Mission and Service revenues through periodic, significant expense reductions and the utilization of reserve funds. Starting in 2024, an integrated budget framework that aligns with strategic priorities was developed and adopted to enhance efficiency and accountability. Despite challenges posed by inflation and reduced revenues, the 2026 budget is designed to facilitate strategic objectives, though it may not fully avert potential future downsizing. The Executive is requested to provide guidance on addressing the structural operating deficit for 2026 and subsequent years, and to establish principles to guide the General Secretary's financial planning.

2. Why is this issue important?

The Budget Principles and Assumptions establish the key parameters that guide staff in developing detailed unit-level operating budgets. This operating budgeting process provides a structured framework for fiscal accountability and transparent decision-making, serving as a critical step toward the church's long-term financial sustainability.

By aligning expenditures with strategic priorities and promoting efficiency, these principles help ensure stability and resilience in times of uncertainty. They also support proactive planning, enabling the church to respond effectively to financial challenges while safeguarding essential programmes.

Furthermore, the integration of long-term budgeting and the early communication of changes reflects a commitment to responsible stewardship. This approach reinforces the church's ministry, both now and into the future.

3. How might the General Council Executive respond to the issue?

The General Secretary recommends that the General Council Executive approve the following principles, assumptions and target for the 2026-2028 triennial budget cycle:

Budget Target:

1. The operating budget must ensure that average **annual funding shortfalls** before investment income **do not exceed $2 million** over the triennium, or $6 million in total. A portion of investment income (disposable investment income) from the operating reserve may be used to support operating budget, provided an **adequate reserve balance** is maintained and following conditions are met:
    a. The **adequate reserve level** is defined as 50% of the average annual budgeted expenditures from the previous triennium. This differs from the minimum reserve threshold of 30% of the operating budget, as previously approved by the Executive. The average total budgeted expenditure from 2023 to 2025 was $38.22 million, and 50% of that amount is **$19.11 million**.
    b. A minimum of 2% of investment income must be retained in the operating reserve to offset the annual inflation and ensure the adequate reserve level is inflated adjusted.
    c. **Disposable investment income** shall be calculated as the rolling average of the three-year period preceding the budgeting cycle. For the 2026-2028 budgeting cycle, the applicable rate is based on the July 2025 Treasury Fund Investment Report, which stands at 11.35%. After allocating 2% to the reserve to offset inflation, the remaining **9.35%** may be applied to support the operating budget.

Budget Principles

2. All financial and investment decisions must be evaluated through the lens of affordability and sustainability.
3. All financial resource allocation decisions must be evaluated through the lens of alignment with and linkage to strategic plan objectives.
4. Budget and programming decisions must be linked to proactive communication planning and delivery.
5. Transparent and proactive communication about future spending directions and potential changes is encouraged. When possible, advance notice, ideally two or more years, is provided for any phased adjustments, supporting thoughtful planning and continuity.
6. A triennial approach to budgeting is adopted to support long-term financial planning, strategic resource allocation, and sustained stability across programme and operational priorities. The budget is reviewed annually to ensure continued alignment with evolving strategic directions and prevailing economic conditions.

7. The operating budget covers all expected expenses, while unexpected costs are managed with the operating reserve. This reserve is routinely monitored to make sure it stays above a predetermined minimum level.
8. As approved by GC45 WF33: GCE04 Funding Strategic Growth Initiatives, 10% of Mission & Service contributions over the course of the 2025-2028 triennium as follows - 5% in 2026, 7.5% in 2027 and 10% by 2028 - be earmarked for new, renewing and emerging ministries.
9. The GCO continues under a hiring freeze in which financial sustainability and the priorities of the strategic plan are employed by the General Secretary as key factors in consideration of any replacement in the context of attrition.

Revenue Assumptions:

10. Adopt a neutral view that Mission and Service contributions will remain at a level similar to the past triennium with a moderate decline, which was $19.5 million.
11. The budgeted Bequest income for 2026-2028 is set at $1.8 million, which will be directed in its entirety towards the operating budget, continuing the practice established from 2019 to 2025. Any Bequest income exceeding $1.8 million will be added to the operating reserve to support the church's future endeavors.
12. The Denominational Assessment Rate will be revised in accordance with the rate and formula approved by GC45 in WF24b: GCE05 Assessment Funding Rate for 2026–2028. The details are listed below for greater details:
    a. The assessment rate be increased by 0.5% annually over the next triennial budget cycle, starting from the current rate of 4.5%, as follows:
        i. 5.0% of adjusted revenues in 2026
        ii. 5.5% of adjusted revenues in 2027
    b. The investment related portion of assessment be adjusted as follows:
        i. 0.25% of invested assets in 2026
        ii. 0.30% of invested assets in 2027
13. Other revenues generated by the General Council Office, such as fees, bank account interest, and bookstore sales, etc. are to be designated to support governance and Mission and Ministry.

Expense Assumptions/Cost Containment Measures:

14. Inflation is expected to continue moderating and is anticipated to return to Bank of Canada's target inflation rate of 2%; the current inflation rate as of July 2026 stands at

2.6%.

15. Annually adjust minimum salaries by the annualized Consumer Price Index (CPI) if 3% or less; when the CPI exceeds 3%, staff gather data on wage predictions, collective agreements in not-for-profit and social service sectors, adjustments being offered by other denominations, to support the Executive of the General Council, considering issues of affordability, to set an adjustment. **The 2026 General Council Staff salary schedule will include a 2.6% COLA, based on July 2025 CPI data. Adjustments for 2027 and 2028 will be made when future CPI figures are released**.
16. To ensure strategic alignment and financial sustainability, total salary and Mission & Service Grants shall be reduced by $2 million beginning in 2026, guided by the strategic plan framework.
17. Assessment allotments to regional council offices will be maintained at the same level as the prior year for 2026. The Denominational Assessment Task Review Group, as directed by GC 45 in Calgary, will review and update the allocation for the subsequent years.
18. Funding for the Indigenous Church will be maintained at the same level as the prior year, pending further discernment on sustainable funding and the use of the Indigenous Church's financial reserves.
19. The programmatic budget will be held at $2 million, consistent with the 2024 funding level. The management team believes that safeguarding this level of program funding is essential.
20. Continue to tighten control over travel and meeting expenditures, using the strategic plan to prioritise planning; total budgeted spending shall not exceed the prior year's amount by more than inflation or 3%, whichever is lower.
21. Starting January 2026, the Mission and Service fundraising will be managed by the United Church of Canada Foundation. Despite declining revenues, this partnership aims to improve efficiency through collaboration. The General Council Office will coordinate budgeting with the Foundation to align financial plans and achieve operational savings. Annual fundraising costs shall not exceed 5%, based on the 2025 budget baseline.

Inter-Fund Transfers:

22. Use surplus in the annuity fund to support the operating budget, contingent upon a satisfactory actuarial review and thorough understanding of the fund's financial status and obligations. A funding policy should be established and approved by the Executive of General Council to ensure the long-term sustainability and responsible stewardship

of the gift annuity program.

23. Consider using the Property Fund to support the build-out of the future home of the General Council Office at 300 Bloor Street West, subject to Executive approval and a thorough analysis of existing financial obligations, such as the projected demands from the captive insurance program, to ensure alignment with the funds' mandate (The capital in the Property Fund originates from Ventures in Mission, a successful fundraising campaign launched in the 1980s. This campaign was guided by three key mandates: (1) redevelopment of communities of faith, (2) development of new communities of faith, and (3) increased mission and ministry support through funding the Old Pension Plan.)
24. Suspend the annual $300,000 transfer from the Operating Reserve to the Healing Fund until the existing funds have been fully utilised, and reallocate the $300,000 to the operating budget to support the Indigenous Ministry and Justice Unit's operating operations.
25. Continue supporting the Indigenous Ministries and Justice Unit's operations through an annual allocation of $396,000 from the Morrison Fund, in addition to the funding through the current year's Mission and Service revenues.

4. What will be the impact?

The General Council Office Operating Budget impacts nearly every aspect of its mission, governance and operations. It determines how resources are aligned with strategic priorities, including growth, leadership, Indigenous ministries, climate justice, etc. Budget decisions influence staffing, grant allocations, and program sustainability across regions. They also shape long-term planning through reserve policies and investment strategies, ensuring financial resilience. Annual reviews allow responsiveness to emerging needs, while transparent processes support inclusive governance. By embedding stewardship and equity into financial frameworks, the budget enables the Church to live into its commitments, adapt to change, and sustain vital ministries that serve diverse communities across Canada and beyond.

5. How does this proposal help us live into the commitments on equity?

Budget principles and guidelines help advance equity by embedding inclusive values into financial decision-making. By aligning resource allocation with strategic goals that prioritise justice and inclusion, they ensure funding supports programmes serving marginalised communities. Transparent planning and early notice of changes protect vulnerable initiatives, while annual reviews allow responsiveness to emerging equity needs. Inclusive consultation processes ensure diverse voices shape budget priorities, and stewardship of legacy funds is evolving to better support equity-focused work. Together, these practices reflect a commitment to responsible, equitable financial stewardship that sustains the Church's mission and strengthens its ability to adapt and serve all communities.

6. For the body transmitting this proposal to the General Council Executive:

The 2026 - 2028 Budget Principles and Assumptions have been developed after consultations with key stakeholders, including the General Council Executive, Indigenous Ministries, Regional Council Executives, and Finance Advisory Committee.

The proposed principles and assumptions aim to keep the annual operating deficit below $2 million, which can be funded by investment income generated from the operating reserve. This approach helps preserve the health of the reserves and supports long-term financial sustainability.

It is crucial to recognize the challenging external factors, such as sustained high inflation and declining revenue, which significantly strain the church's finances. Despite these challenges, the proposed 2026 - 2028 budget is designed to lay a foundation and create opportunities for the strategic plan's success, in the context of a whole church strategy Toward 2035.

The Finance Advisory Committee emphasizes the importance of proactive communication about budget decisions, including stakeholder impacts and considered risks. In assessing risks, particular attention should be paid to potential unintended consequences.

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