

The Standing Committee on Administration and Finance

**Helena, MT
October 20, 2008**

Present: David Alvarez, Pan Adams-McCaslin, Gay Jennings, Alpha Conteh, Kurt Barnes, Margareth Crosnier de Bellaistre, Dennis Stark, Del Glover, Caspar van Helden, Susan McCone, Charles Fulton, Jon Bruno, Linda Watt, Sandi McPhee, Bonnie Anderson, rosemary Sullivan, Josephine Hicks, Nancy Caparulo, Lori Ionnitiu, Vicky Garvey, Mark Duffy. Absent: Tom Gossen, Bettye Jo Harris, Bryan Krislock. Sandy Williams from the Diocese of Montana.

Josephine brought the meeting to order with prayer shortly after 9 AM RMT.

Sandi McPhee and Bonnie Anderson were present to discuss Anglican Churches in Americas Conference, a first time ever meeting of Anglicans in the Western Hemisphere. It will include the Province of the Southern Cone; the Province of the West Indies has declined but individual bishops have been invited. Planners have been meeting every 2 weeks by conference call to get things organized. They see it as an important opportunity for the Western Hemisphere to discuss mutual goals and responsibility for what the Anglican Church is doing in this half of the world and, hopefully, to respond to some of the concerns being expressed. Funding has been requested from Trinity Wall Street, the Church Pension Group (CPG) and ERD. Additional funds are being asked for in the amount of \$52,000.

Bonnie pointed out that INC005 passed by EC in November of 2007 supported beginning a conversation about mission with the churches in the Americas. Full participation has created a community of people looking forward to the conference. It is an Executive Council (EC) project and by canon EC is empowered to initiate new work. Southern Cone and West Indies are not participating in the design. Provincial presidents gave permission to contact the individual bishops, which has been done with some success. Contributions of \$25K each from three sources have been solicited.

Sally Johnson joined the meeting.

David observed the strained budget situation across the board and asked for a clear statement to be made about this. Bonnie responded to his concerns, saying that the design group is sensitive to the need to be clear and accountable to all funders. Sandi added that the conference will include lay people and clergy as well as bishops, setting it apart from other conferences. Gay requested emailing the back-up document so that everyone on the committee could see it.

The Minutes from the Albuquerque meeting were **moved, seconded and approved** as presented without opposition.

Financials

Alpha discussed the monthly financial statements. September is the month when expenses begin to catch up with budget projections. The income side is in line with that budgeted. Diocesan commitments are also in line except for those who never made commitments and for whom estimates were made above the reality. Comparatively speaking with 2007 receipts are a little behind. Investment income is better than expected because of short-term earnings. On the expenses side, \$450K had been budgeted for legal expenses realizing that the expenses would be greater. Now those expenses are shooting up with a currently negative \$1.1 Million. In total, things stand at \$37 Million in expenses against the \$38 Million projected.

Del inquired whether consideration had ever been given to setting up the budget in a manner that would reflect the patterns that occur annually. Kurt responded that might be ideal for cash flow planning but unlikely to be achieved as long as dioceses are inconsistent about the timing of their contributions.

Margareth reviewed investment income. Portfolio was \$339.3 million in June and is currently at \$295.5 million as of the end of September. Everything is down but continues to outperform the benchmarks.

Kurt said that a 30% overall decline for the year had been assumed in projecting investment income for the 2009 budget. Earnings and prices in the market are related. He had been looking at a chart of lagging earnings in the S&P 500 against the S&P index that suggests that the S&P should be between 1200 and 1300, not the 900 that appears today. Mary Frances Schjonberg joined the meeting.

Linda questioned how the 30% decline is levied. Kurt responded and the discussion looked at the meaning of the numbers, the flow and how the month of October impacts income to the budget.

Kurt then turned to the Budget for 2009, which assumes flat diocesan income from 2008 although, historically, income has risen 2.5% - 3% per year. Calculations are based on 2007 operating income and Kurt said there is no way to know if the flat assumption will be sufficiently conservative. He talked about various ways of reducing costs, e.g. virtual meetings.

Conversation about the proposal to balance the triennium budget included concerns around balancing it on the “backs of the staff” and the addition of ½% payout from endowment income. David’s observations of budget increases in the partnership center for Anglican Communion as well as grants and covenants led to a discussion about funding certain items off budget. Specifically, Del opined that we ought to budget what we believe legal expenses will be. Jon supported that approach and said he was troubled about not representing the legal line accurately, even though the strategy was understandable. Talk continued about reporting, transparency, and not misrepresenting the actual figure.

It was agreed that the committee as a whole needs to feel comfortable about the budget. An overall review for A&F needs to include a holistic approach to the Province IX grants and accountability as well as the appropriate presentation of the legal numbers.

Bryan Krislock joined the meeting. Alpha presented budgetary numbers differently and raised the question of how legal expenses should be budgeted. The short-term reserve is down to \$6.5 Million from \$8 Million with his re-presentation of the numbers. Dennis described this method as a 7% draw on the endowment in reality.

Next was a discussion about how to budget for Title IV and individual centers. Question arose about staff leaving the ECC and plans for replacement. Linda suggested that the center directors and managers could more easily answer staffing questions.

Josephine spoke about the DFMS funding to the Anglican Communion, the contribution to the Anglican Consultative Counsel is the asking of the Province. The asking was \$600K per year for their triennium. DFMS kept it where it had been for the last triennium and the group talked about whether or not to reduce the Anglican Communion line.

Jon returned to the topic of accurate representation of anticipated legal expense. Bonnie asked that the budget reflect a reasonable estimate. Sally observed that the Title IV expenses are ongoing and encouraged the inclusion of an accrual account to be set up against future expenses of just being a church. It was suggested that the conversation be deferred until the PB can be part of it.

Blue Book Report

Upon review, Gay questioned the “goal” of the committee and it was agreed that the language should be the same language that appears on the agenda for each meeting. Nancy will make changes and submit them to Allison Lee at the GCO.

Historical Society

Dennis talked about the split between the Archives and the Historical Society. The Historical Society is now sufficiently independent to require its own 501(c)(3). Dennis was asked to look into this through conversations with Mark, Gregory, the President of the Historical Society, and Tom Duggan. They can get their own 501(c)(3) for \$2500 or identify the changes in the governance relationship. Tom Duggan is in conversation with the Historical Society officers to move this forward so that Dennis can make a recommendation at the next EC meeting. They wanted to stay part of DFMS, which would mean that DFMS would have a say in the constitution of their board.

Kurt pointed out that UTO used to be under the DFMS tax umbrella. The test is what control does the parent have over the organization? Jon said if they drop into 501(c)(3) DFMS loses total control and it might be preferable if DFMS has continuing control of the financial assets.

Travel Guidelines

Discussed the changes and concerns about filing reimbursements from locations outside the US. Kurt assured David that the postmark date within 30 days will assure reimbursement. AF-069 was **moved** (Jon), **seconded** (Del) and **carried** without opposition.

Committee Evaluation

Rosemari Sullivan arrived at 11:20 to facilitate the evaluation of A&F’s work in the triennium. A report will be handed out only to council members for reading. The results of the aided evaluation follow (numbers on various lines indicate repetitive answers).

Best work:

- Opening up the budget process (narrative) x 6
- Hanging in with the work of the Archives x 6
- Mission, not money is driving the priorities x 3
- Care of EC members in some form of distress x 3
- Improve transparency in the budget x 2
- Manage budget in difficult financial circumstances x 2
- Creative ways of finding money for unanticipated needs x 2
- Act in the best interest of staff and volunteers
- Keeping focus on the overall mission of the church
- Increased productivity of the committee and cut time at meetings, efficiency
- Responded to the concerns of the Audit Committee
- Attention to stewardship of expenses, budget and investments x 2
- Problem solving
- Write incredibly good resolutions to help the process go through council
- Reorganization expressed in numbers – reinterpretation of the budget numbers x 2
- Budget control and financial awareness in the church
- Direction to the ECC on mission and ministry in the 9th province

Focusing on how to do work, what was the hardest thing we had to do?

- Archives – and the work isn’t done
- Managing the budget

- Opening up the budget process to EC and CCABs
- Reorganization

What did you not need to deal with?

- Nothing anyone could think of.

What might you have missed in the triennium?

- Dealing with financial aspects of grants and financial commitments of the church for partnership process
- The “A” in A&F – so focused on the finance part and not much on administrative issues
- Getting clarity about the role of EC

How do committee members feel about the way we do what we do?

- It is an open way of working – all viewpoints are considered
- It’s a super functioning, powerful committee

General comment was made about writing resolutions. It is helpful to have people on the committee who are *not* numbers people so that there is language and communication about the numbers. The committee chair should be a non-numbers person. Communication and open process are key to getting the work done.

At this point it was decided that the committee would have a working lunch to deal with resolutions. First, the trust fund resolutions were reviewed and voted. AF-071 (use of the income from the Astor Fund) was explained, **moved** (Vicki), **seconded** (Jon) **carried** without opposition.

AF-072, St. Stephen’s Church SC establishing Trust Fund #1027, was **moved** (Vicki), **seconded** (David) **and carried** without opposition.

AF-073, the William B. Walker fund established with \$25K, after achieving some clarity around the term “leadership” in leadership training and the nature of the program² referred to in the resolution was **moved**, **seconded** (Vicki and Jon) and **carried** without opposition.

² October 28, 2009 Margareth spoke with Mr. Walker by phone to let him know the resolution passed to establish his Trust Fund and ascertaining from him his wish that the leadership training program he referred to in establishing the trust was for general training purposes.

AF-074, TF#1029 custodial account to the Diocese of Virgin Islands was **moved** (Jon), **seconded** (David), and **carried** without opposition.

AF-075, support to the diocese of San Joaquin and others. A second request was received from San Joaquin for \$600K in support for the 2009 fiscal year. Conversations are ongoing with San Joaquin in light of the needs in Pittsburgh. This resolution was deferred so that language could be added to acknowledge the Episcopalians who are not leaving the church.

For information purposes, Kurt reported that a request from Honduras in June 2007 (AF-024), made as a draw from trust funds income in the form of a loan, had been converted to simply a non-repayable draw.

After a break for lunch, Brian Grieves was on hand to provide an overview of the Advocacy Center’s budget request for 2009. Brian has overall responsibility for the Mission area. He focused on an additional \$50K for a conference in 2009 that carried over from 2008. In trimming the departmental

request, they tried not to cut into areas of mission, particularly those most vulnerable (e.g. Jubilee Ministries \$100K domestic grants). Trying to support Jubilee centers that are doing work after Hurricane Ike. The Jubilee conference is the biggest in 2009 at \$50K and networks many social justice ministries.

David asked if there is information about how many Jubilee Centers there are in Province IX. There are some in every diocese and the specific figures are available on the church web site.

A portion of the \$340K allocated by EC from short-term reserves for program centers has been used to help get environmental programs off the ground, help basic meeting costs and programs resulting from the reorganization.

Discussed AF-070, Episcopal Migration Ministries (EMM) loan collection revenue sharing. The US government extends resettlement loans to refugees and asks agencies like EMM to collect repayment. DFMS receives 25% of whatever is collected in this program. If nothing is collected, DFMS still meets the cost for the loan collection staff. If DFMS recovers those costs the question remains: how is that excess income used (by the director of EMM or the discretion of the EC)? This 50/50 split is proposed after an ongoing conversation about the matter.

Discussion followed at length. Questions examined the thinking behind returning income to EMM and the need for an added income stream to the general operating budget. Suzanne Watson, Center Director, joined the meeting. She said the funds would not be coming in at all if it were not for the repayment made by the refugees. These funds would go back into building EMM's programs. It was asked if this money didn't go back to EMM would EMM be asking for more from the DFMS budget. Margareth said when DFMS collects we don't charge everything we expend, e.g. printing and mailing costs, the expense of the employees who are doing the work, or the maintenance of the infrastructure. She would support 100% of the funds going back into the DFMS budget. Alpha spoke about the advocacy actions that EMM takes that are not funded by the government. Jon said they do provide funds for immigration work to build up clinics and there is other funding available. His concern is that DFMS pays its bills first.

Suzanne said that the funds would help in church sponsorships (they are in 23 dioceses), go towards newsletters, bring together people in regional offices, lead to congregational vitality.

Alpha said that an estimated \$11,602 "surplus" in 2008 would be shared 50/50 and suggested coming back to this topic later. His opinion is that EC should always decide how to use the income.

AF-070, was considered. Del **moved** it but there was **no second**, indicating un-readiness to vote. It was decided that the topic would be **tabled** until more budget discussions were concluded.

Toni Daniels and Kris Lee were present with Suzanne Watson to talk about their 2009 budget requests. Linda suggested giving a broad-brush description about the work of Suzanne's center.

Suzanne said that in building the team in Evangelism and Congregational Life a common purpose was established to assist one another. They are clear that their job is to connect people to resources and to strengthen congregations. They are focused on expansion of Christian Formation as a lifelong Christian formation process. Their research is doing some ecumenical work with Gallup on church planting. She has done a great deal of work building a virtual team across all the centers.

David noted that Suzanne was at the meeting for the College of Bishops held at Virginia Theological Seminary and observed that the budget shows ethnic and multi-cultural congregational development, where the 9th Province is held apart under the Partnerships Center. It is his opinion that this should not be so but that Hispanic ministry should be blended with that of the domestic dioceses. Toni rejoined that the

Latin American/Caribbean office is being restructured with 1 ½ staff positions situation with 3 consultants. One person will service Province IX and the other will work with Haiti, speaking the language. The 3rd consultant will focus on the Americas, IARCA, South America, Caribbean, etc. These consultants will work with Anthony Guillen, who is working for Latino congregations domestically. She said all dioceses are related under Diocesan Services. David's issue was the positioning of Province IX under the "Partnerships Center," stating that we are not "partners" or the name of the center is unclear. Linda and Toni reiterated that the Diocesan Services area of the Partnerships Center is explicitly designed for linkages within The Episcopal Church.

There was also a question raised about grants and covenants under partnerships and whether the committee could have more detailed information as to what that covers. Covenants and grants, Toni responded, covers covenant committee meetings, domestic appropriations, and MDGs. How much is appropriated for grants and covenants especially for Mexico, Central America and the others, to what extent are we being pro-active in asking for not just a financial report but for accountability for the money? Toni said a list is being put together in November of everyone who is receiving a grant. They will be notified along with expectations about accounting for the funds. David asked for measurable, precise information.

Linda said there is a big-picture objective along with the work Vicki's subcommittee has been doing, to establish a reporting mechanism, which will include both programmatic and financial updates so the GC can determine whether or not to continue funding. There is no wiggle room with the covenants but grants and appropriations are open to changes for 2009. Toni was asked where to cut if necessary in 2009. Those numbers have been cut already. They found that people ask for money and then hold it. They will be told to spend.

AF-077, concerning support going to Mexico, specifically to St. Andrew's seminary, was raised. David said the seminaries were all cut \$3000 to give a CETALC grant for higher education in Mexico. The CETALC committee decides where funding will be divided. He had just learned about the IOWA trust fund given to Province IX for theological education, which CETALC took over without consulting either Province IX or the provincial council. He suggested that someone should be looking out for this money. Jon followed by saying that David is asking where the money is and asked whether or not the anecdotal information is accurate.

David then **moved** and Jon **seconded** AF-077, which was **carried** without opposition.

Kris Lee came to talk about the Communication budget, observing that for the first year and a half of this triennium it was necessary to move things around to do work that was not anticipated. The budget was employed in different ways, thinking that most of the work could still be done. The need to build capacity continues. Some things can be discontinued but the need to handle media relations for the PB has now become a separate department that must continue. In other faith groups and in CPG there are 20-50 people doing digital communications and IT, whether or not consultants are included. DFMS has 150K hits on our web site per month and one person, Barry Merer, is the only producer. We have one art director and another staff person who helps with posting but no other key Internet person. Every Internet publisher needs a technician who knows the system well. Bowie Snodgrass was the only liaison between the web and the departments. The freelance help being used can't begin to understand the internal messages and interpret what they mean, so, we need to use more freelancers or rebuild/restore the positions that are needed; a third person is needed for Episcopal Life. Expenses are cut by not having an ad specialist and revenue goes down, so undergirding support needs to be increased. People doing pro bono work through the Episcopal Communicating Alliance made only a creative contribution. In the next triennium, with the naming of a new full time communication executive, this will all be subject to review. Generally speaking, the Church needs more and more sophisticated communication.

Bonnie said that Resolution A048 called for the PB and the PHOD to appoint a task group to deal with communication decisions. That task group is up and running and doing some good work. Linda is part of the committee and Clayton Crawley, who is heading the task group, is the Director of Technology at CPG. She wanted to be sure that Kris is familiar with the work they are doing.

Kris allowed as how there are several consultants who are associated with Communication and they are trying to find permanent employees to take up that work. Gay expressed her confusion about the difference between a consultant and a temp. Linda said that is being cleaned up. Kris added that some who do very specific work will continue for a long period of time and will never be hired full time.

Subcommittee on Diocesan Commitments

Focus turned to Gay's final report on the subcommittee on diocesan commitments. Two recommendations came forward from their work. How do we work in relationship with the dioceses, who are meeting their commitments and with those who are not meeting 21%. Scott Kirby and Bob Abstein are making calls to dioceses to discuss commitments. Gay's group asked how EC can be more involved in cultivating relationships with dioceses not in compliance. #1) Each EC member will serve as liaison with three dioceses, making regular contact with the diocese with regard to the asking of GC and spreading the responsibility of that communication.

Bonnie asked that her communication tool should be remembered whereby deputies can be contacted directly. Lori said that this has been done in the past, a program was established to link EC with dioceses and it made a big difference. Kurt added that the TRO provides information directly. In 2010, when this is implemented, duplications of contacts about the same topic can be prevented. Gay offered to do training for council members.

Recommendation #2): Beginning with the 2010-2012 triennium, should a diocese contribute less than 10% of the General Convention approved asking, the following shall be in force:

- 1) No church wide meetings shall be held in the diocese. This shall include meetings of CCABs, the House of Bishops, meetings of Executive Council, and church wide events paid through the General Convention budget.
- 2) No new loans or grants shall be issued to the diocese. The EC (through A&F) would serve as the arbiter of exceptions to this rule.

These recommendations were turned into AF-078 and AF-079 and the subcommittee ended with thanks from Gay to the committee members for doing a great job.

Talk returned to the discussion about the presentation of the legal fees and whether the expenses should be budgetary or extra-budgetary.

Susan McCone said that she has been working on the St. Ives Fund (St. Ives being the patron saint of lawyers), talking with distinguished and financially well-endowed attorneys in the New York area with a target of raising \$2.5 to \$5 million for a legal defense fund not specific to any cause. If this is successful it can be tapped right away for property defense.

If Title IV and legal expenses are kept at \$450K, having put in the income item for 2008 and balanced it out, the budget balances without having to make any additional cuts. Anything exceeding \$450K comes from short-term reserves, recognizing that donations are being solicited specific to legal expenses. This illustrates how mission funding may take some stress off the operating budget.

Discussion continued about the presentation of legal expenses. Jon requested something in the budget as either a footnote or some special citation saying that, if money comes in from missionary funding efforts, those funds will specifically go somewhere. The enabling resolution to adopt the budget at GC should be clear about the legal line item presentation. Budget decisions were made to include:

- Title IV and Legal support at \$500,000.
- Conference on Anglican Church of the Americas (\$52,000) to be footnoted
- Funding to support PB's invited guests to GC (all primates that attended Lambeth)
- Should grants materialize from other sources, any unused funds from the \$52K allocation specified for the February 2009 Conference will go into a contingency fund to pay for performance bonuses for Church Center staff.¹

¹Linda needs a plan that is fair and provides staff incentive. Kurt reminded that we are basing our dividend on what the assumption of the market is and that it could be a disaster. So a line item for the performance program will be \$226K if income permits.

Tom Gossen joined the meeting at 4:37 PM.

Returning to AF-070, Jon said he would move the resolution, contingent on its being a 1-year fix and asked what the number should be. All agreed that EMM, as a program of DFMS, does not have the authority to disburse funds for the DFMS. The question was asked, "To what extent do you want to put the loan proceeds back into EMM programs?" which inspired a comprehensive look at the historical budget for EMM.

Eventually, Jon **moved** that EMM would be advised that any surplus money from loan collections will be given to EC to determine in the future how it is distributed, to what programs and purposes. **Seconded** (Del). After additional discussion, the vote **carried** it without opposition. Jon suggested that the Finance Office tell EMM and that this issue needs to go to EC as a resolution. Jon and Del **withdrew their motion and second**. Note: The function of International Organization for Migration (IOM) needs to be moved to the Finance Office.

Resolution language was developed: Effective with the 2009 budget and moving forward the line item of the budget related to the IOM activity will be included in the Finance office budget. And that any net income generated by the IOM activity is available to the general budget as determined by the Executive Council.

Agency Cost Sharing

Talking with the agencies housed at 815 resulted in recommendations for the repayment of some operational costs. Dennis explained the rationale behind the \$2500 exemption when increases are large. AF-076 recognizes the synergy between DFMS and the agencies and protects the smaller agencies against giant cost increases. The International Partnership for Service Learning is leaving the church center but this move will not free up any marketable space, though the Church Center continues to look at this possibility. Concern was raised about ERD's growth and put to rest. Linda explained that conversation is ongoing with ERD about separating more services, such as HR, because of their growth. Dennis **moved** AF-076, **Del** seconded and the vote **carried** the motion without opposition.

The resolution to accept the budget resolution will be AF-080. Josephine recessed the session at 5:45 PM. On Tuesday, October 21st she reconvened the meeting at 2 PM. Pan opened with prayer. Introductions were made of Bishop Larry Maze, Bruce Garner, Tom Gossen, Gregory Straub, Mark Duffy, Pan, and Kurt as members of the Archives committee.

Bishop Maze began the presentation with a little of the 16-year history and ongoing conversation about a permanent home for the Archives. He was happy to report that there is actually some excitement around the project at its present juncture and described the project goals: to own a facility that will be self-supporting and be a significant part of the assets of the DFMS. Plans are being discussed that look at the Archives as a resource center that will attract academics and Episcopalians from all over.

Mark picked up the presentation to discuss possibilities and vision for the project, describing the journey to a bigger vision. He showed concept drawings for the building, indicating that St. David's Church will be critical in the developing picture as the parish needs space for its ministries. Kurt continued with talking about the income/financing side of the project and acknowledging the team of five professionals, who donated their time, skills and knowledge at no cost. Tom Gossen took over to look at the design and construction calendar. The proposed parking garage will be a major income producer. This assumption was based on the numbers provided by St. David's for their parking facility.

Questions were raised: 1) Why are we building a building in a diocese that doesn't support the Budget? **A:** The Archives' primary locations are in NY and TX, so we have a role in persuading the Diocese of Texas that they have a responsibility to work on supporting this. 2) How do you see the ownership? **A:** The DFMS will own the Archives and the pieces that go with it. All the other share-holders will own their own piece (co-op style). Further explanation revealed that the DFMS total ownership will not drop below 51% to insure control. DFMS will own the land at a cost of \$9.5 Million. 3) How will the cost of the loan be amortized during construction? **A:** Probably wrap those costs into a construction loan. It was observed that this is the right time, we are moving into a new reformation time in the Episcopal Church and people want to help in bad times. Kurt said that we were dis-invited to be present at the Seminary who has agreed to extend our lease with them through 2012. 4) Is there a macro-number to finance the actual building? **A:** Mark estimated about \$14 Million for the Church's portion with the whole project likely to run to \$40 Million. 5) Have there been requirements set for competitive bids? Mark was very complementary about the committee members (the 5 professionals) and their sensitivities appropriate to being the Church.

The presentation ended and Josephine raised AF-080, approve 2009 budget. It was agreed that this discussion would be deferred until further examination about Medicare coverage for the PHOD has taken place.

AF-078 (EC liaisons with dioceses) was considered, **moved** (Jon), **seconded** (Vicki) and **carried** without opposition.

AF-79 regarding consequences of diocesan commitments was then **moved** (Vicki) and **seconded** (Gay). Discussion ensued. Gay proposed an **amendment** to the resolution in #2: "or to any groups or entities of the diocese." Vote on the **amendment carried**. Vote on the resolution **carried** without opposition.

Kurt said Bonnie had requested an addition to her budget for Medicare insurance. George Werner as PHOD was reimbursed for this expense. It was agreed that this benefit would be added. Kurt noted that one PHOD assistant does not get benefits but that she had been assigned benefits. The result is that there is money in the budget to allow for an added \$2000 here. Del **moved**, Gay **seconded** to amend the budget and the vote **carried** without opposition.

AF-080 (accept the 2009 budget) was **moved** (Jon), **seconded** (Del) and **carried** without opposition.

Josephine had spoken with the PB about the presentation of legal expenses. PB suggested that we have a private conversation about the legal fees issue before the budget is presented. Jon expressed his

appreciation to the finance staff for rearranging the presentation of the legal line to make the budget discussions easier.

The session was recessed at 5:45 PM and reconvened on Wednesday, October 22, at 9:08 AM with prayer. Bishop Katharine joined the meeting. \$42K was requested from the contingency line to be added to the PB's budget for 2009 to fund a chaplain for the Church Center. First concern was "what is the job description?" and whether creating the position was reactive. Del stated that the Audit Committee recommended a change in the DFMS whistle blower process since, in the committee's opinion, it does not represent best practices. Additional questions were 1) What would this person do beside pastoral care? 2) Would staff be inclined to ignore the presence? After some discussion the group felt that a move such as this would be premature.

Grants Accountability

Vicki gave her report regarding grants applications and accountability (AF-059). Kurt observed that many existing appropriations and grants don't have a term, a sunset point. David thought it would be wise to identify a sunset point for them. Since they originate with GCs, the definitive approach is that they are for 3 years. Tom asked how the proposed policy would apply to a small grant, i.e. would there be a minimum below which the policies don't apply? Del said the Audit Committee identified certain problem areas, with concern for the liability that DFMS incurs when there is no sunset point. Asked if the proposed policy should become a resolution, Vicki responded that guidance would be needed from Audit and finance in order to apply a dollar amount to the resolution. She added that, before this appears as a resolution, it might be helpful to talk with those who are going to be affected by the results of passing such resolution so they can take some ownership. Pan commented that the requests should be made in the appropriate language of the culture. Kurt responded that they are currently provided in appropriate languages.

2010-2012 Triennium Budget

Gay led a discussion about the draft triennial budget. CCABs and Church Center staff have no cuts or reductions. Recognizing that we can't meet the requests, it is important to answer: 1) does the draft budget adequately address the priorities identified in 2008 – focus on areas of particular concern of your committee; 2) identify mandatory line items or amounts that must be included in the final budget and why it is mandatory; 3) identify and name flexible line items or amounts that can be adjusted or reduced. All committees are dealing with these questions and the Budget Committee will deal with them with staff between now and January.

Del noted that it is hard to see what has changed and where the major issues are. A budget summary was approached with the PBO. Projections were based on 2009, including monies for Herb Donovan's new position as liaison with Anglican Communion. HOB 2009 asking is lower than it has been in the past and has been tripled. Office of Pastoral Development – formation for new bishops is now canonically mandated and may account for the line item increase. \$367K mandated Title III, canon 12 section 1. This is mandatory.

CCAB travel costs were projected considerably higher, based on 4 meetings per CCAB per triennium. They are being encouraged to have shorter meetings. \$1000 per person to \$1400 per person per meeting is a best guess over the next 3 years. There was too little money allocated in the last triennium for the CCABs to do their work.

E-Life Media has a big increase. Includes Episcopal Life and the web. TRO increase includes Province IX training and the Episcopal Business Administrator's conference in conjunction with CPG. David asked why it is necessary to have yearly conferences for treasurers and administrators in Santo Domingo? This was felt to be a flexible item (the Latin BMI).

Archives are moving toward buying land and TRO is proposing to finance with short term reserves. Should there be a place-holder if the cost of loans should create a deficit? Variable interest rate is an issue and there won't be all of \$360K income from the parking lot for all three years.

Public Affairs is up \$100K owing to the cost of Web casts. Need clarity about why this isn't in the Communication office budget. Flag this item: Public Affairs. Linda said management is struggling with how to work strategic communications. The narratives are *aspirational* requests from the individual offices, untouched. The hard thing is that there is no director of communication and hope is that the new person will think about how to do strategic communication that will incorporate the activity in Public Affairs. There is a balancing act between news and PR. Gay observed that if web development and other communication are spread throughout the budget and additions are made to pockets of Communication moneys, there is no way to have a realistic picture of the total cost for Communication items. More discussion about this: pros about splitting lines for departmental accountability. It was agreed that needed also is an overall line for web development. Request was made for a total for Communication, web development, etc.

Conversation clarified that with this exercise A&F's job is to look only at corporate and canonical line items. Gay asked to understand why Public Affairs falls under the PB's budget. Linda answered that this is about strategic communications that needs to be determined. Neva Rae reports to the PBO and having a Director of Communication will not change that. She added that, when a new director comes in, the hope is that the new person will have a clearer picture about how it should appear. Jon asked why doesn't looking at the structure happen before the new person comes in?

Tom questioned the funds granted the Episcopal Church Foundation (ECF) now listed in the 2009 Budget under "Development Office." Several triennia ago, based on an agreement between ECF and the then Treasurer, ECF was provided a grant of \$150K per year in support of what they were creating - field officers to promote planned giving throughout the church. ECF restructured a few years ago when field officers positions were eliminated. Over the years the grant amount in the DFMS budget was reduced from \$150K to \$75K in the current year (2008). To date, Tom reported, there does not seem to have been any accountability requested for the funds that have been given to ECF as no mission center in DFMS asks 1) how the money has been spent or 2) what we are getting for the money given. Now that it is shown under the Mission Funding section in the 2009 budget he asked if will this office will be the center where accountability will be held.

Charles Fulton reported that it could be. They have been thinking about accountability and how we work with the ECF. The Mission Funding Office (MFO), as the new kid on the block, generated concerted efforts toward a comprehensive look at how we fund mission.

Jon said that, as one of the dioceses ECF worked with [and were fired from], the diocese didn't know DFMS was funding the field representative. He thinks there needs to be accountability and that the item goes in the flexible column.

Charles Fulton said that having the MFO is a significant step toward a development office. The development function is a very attractive thing and needed in The Episcopal Church. The MFO is becoming a lot of things, among which is working with ECF. \$4.203 Million is planned for MFO. Jon asked why, if they are doing this, we are paying a fee to an outside development person. The detail for that budget is available.

Pan asked about the amount of money applied to the GCO secretariat.

Linda drew the group's attention to technology. It will be very important to replace the Church Center phone system in the next triennium. The current system is overloaded, old, obsolete and costly to maintain. Replacement is a capital outlay that will result in some savings and options are being considered. The other technology issue is computers. ECC does not have an ongoing system to replace computers. The system is old, individual computers are old (6-8 years) and expensive to run. Linda is cognizant of the different strains of information that will go to PB&F and the need for it to be clear and sorted out.

Del cited no capital items in the budget. Kurt responded that there is no capital budget. All felt there is a need to establish a sinking fund for capital work. Pan said that, finally, there is an accrual for the PB's consecration. After subsequent discussion, all agreed that the next budget should include a capital line. It was suggested that the TRO might look at any endowment money that could be moved and remain invested for that purpose. The income could provide the base for necessary spending.

Dennis suggested appointing a task force of combined EC people to work with Audit to look into depreciation and capital budgets to make a report and recommendation to the EC Budget Committee in sufficient time to be incorporated in the next draft of the triennial budget.

More discussion covered capital expenses and planning. Del suggested that if there are capital items already in the budget they should be pulled out of the operating budget and appear in a capital budget. This would not really change anything. Depreciation items should be a separate and additional concern. Gay recommended a subcommittee of Jon, Dennis and Del to work with Alpha and Kurt to explore this and bring it back in January. Del closed the conversation by saying that donors may give to capital budgets when they won't give to operations.

Josephine had met with Stacy Sauls and John Vanderstar about overlapping resolutions among the three committees. Del **moved**, Jon **seconded** AF-075 (use of trust funds to assist dioceses in distress). With additional discussion the motion **carried** without opposition.

Josephine and Vicky discussed the final adjustments needed to finalize her subcommittee's work with grants and covenants accountability.

Linda raised the issue of retiree benefits and the difficulty projecting their costs going forward. Currently costs are over budget. If one works for DFMS for 5 years, any 5 years at any time, one is vested for benefits at age 65; add a Medicare benefit of \$250 per month; \$10K life insurance at \$33 a month. There is some concern whether or not to continue such a policy. Jon asked if she was suggesting an actuarial study to clarify the exposure over the next 25 years to see what costs are likely to be. Dennis recalled that a GAAP rule requires an actuarial study to adjust for post-retirement benefits. Alpha assured that this is done annually and presented in the audited financial statements. It needs to be determined whether the qualifying time worked is 10 or 5 years. This year we have spent \$580K of a \$550K budget. Gay recommended that the presiding officers of EC appoint a personnel policies task force to do a complete review of this and other personnel matters to get a comprehensive picture. She thought it odd that the DFMS staff are not in the Church Pension Plan. This was **moved** (Vicki), **seconded** (Jon) and additional discussion followed about the importance of drawing on outside people to look at 403(b) and the inequitable split between lay and clergy. The primary concern is for parity and cost containment with regard to retirement benefits. Motion became AF-081 and was **carried** without opposition.

Tom Gossen recalled that two GCs a loud cry was raised for an annual report distributed widely so the person in the pew would have reason to be glad about what we do as the Church. For two subsequent years (2006 and 2007) there were reports. He inquired if there would be another and Linda responded

that there is a plan to do the report. Many questions arose about format, text, who receives it, should it be posted primarily on the web, etc. Linda welcomed guidance about how to manage it. Criticisms and suggestions were aired. There was general consensus that the report should be web-based and downloadable.

A short discussion occurred concerning a CIM resolution recommending that EC consider for next triennium that educational materials be translated through “Proclaiming Educational for All” (PEALL).

Kurt again discussed cash in short-term reserves and the commitments against it. After reductions to cover legal expenses and \$3.5 Million set aside for employment enhancements and \$2.4 million for due diligence for the Archives, the fund will be nearly depleted.

At her request, Linda was filled in about the conversation concerning the request to fund a chaplain for the Church Center.

Completing its work ½ hour early, without need to meet at night or at breakfast this week, Josephine adjourned the meeting at 12:04 PM with thanks to the committee.

Respectfully submitted,
Nancy Caparulo
Staff Liaison to the Committee