

The Joint Standing Committee on Finance

Midwest City, Oklahoma

February 21-24, 2019

Attending the meeting: Mally Ewing Lloyd, Patti Downing, Cornelia Eaton, Anne Kitch, Andrea McKellar, Alexizandria (Zena) Link, Aaron Perkins, Diane Pollard, Holli Powell, Kurt Barnes, Mike Ehmer (PB&F); from the staff Patrick Haizel and Nancy Caparulo. Regrets: Anne Hodges-Copple.

Mally called the meeting to order at 2:02 PM CST. Andrea offered a prayer. Kirk Petersen from *The Living Church* was present.

It was moved, seconded and carried to approve the agenda.

Personal sharing began the session. Mally reflected on the importance to the committee's work of the time spent in getting to know one another. To that end, expanded sharing continued.

The minutes from the October 2018 meeting were moved (Diane), seconded (Patty), and approved as presented.

Election of Officers

Patty has agreed to chair the budget process. She's participated in the PB&F budget process and will form a small committee which will decide what the next process will be. A vice chair of this committee is needed. Since there is a staff secretary, Mally suggested having two vice presidents. Holli has agreed to do this but is unable to be at the June meeting. Diane will serve as the second vice president.

Effective chairmanship of committees was briefly discussed with a reminder that no one speaks for the Executive Council (EC). Press questions should be directed to Nancy Davidge, who will interact with the press as required.

Finance Office Report

Kurt had presented the whole report in plenary, but a review was done in some detail for clarity and to air questions.

Rental income was down owing to a weak rental market. Now all available space is leased. Diocesan income was better than anticipated. An overall look was taken at the report components that yielded a budget surplus of about \$6 million for the triennium. There was some difficulty making the transition from the 5 Marks of Mission to the Jesus Movement budget.

There have been requests to use some of the surplus this year to cover work that was planned but not completed in 2018. In 2006 EC passed a resolution concerning the budget surpluses, that the endowment should be reimbursed if more than a 5% draw is taken. After that, 25% of any funds remaining be applied to new initiatives and the rest for short-term reserves. A resolution of 2016 asked to fortify the short-term reserves. The endowment needs to be reimbursed for "special draws." There are also loans provided, where the treasurer was charged to find the money. The checking account was used to fund a \$7 million loan to San Joaquin; \$3 mil to South Carolina; \$200K to Navajoland; and similar non-budgetary decisions made by Executive Council. The Finance Committee needs to discuss how to proceed. What should happen to the proceeds from the sale of the Austin parking lot was discussed at length. A document will be drawn up to illustrate the need to restore short-term reserves. Arizona's unmet pledges were written off. Loans to San Joaquin were forgiven, all but \$1 million. No reserve for loans had been made because

the amount was carried as a receivable on the books. \$9.5 million is needed in short-term reserves (STR) per EC resolution to cover 3 months of expenses, if necessary.

The current draw on the endowment is 5%. Reduction of the draw was discussed. IC reports to EC through the FIN. IC meets three times a year, two face to face and one online. IC minutes are to be posted to the FIN Extranet page so that there is good communication between the committees. All agreed that it is important to communicate the intent of the endowment and to achieve understanding about what an endowment really is. This might be an educational moment. EC makes the decision about the draw through FIN's recommendation.

Development

Tara retired in October 2018, so oversight of that office resides now with the treasurer. There are currently 5 staff in the DO.

Michael Barlowe joined the meeting at 4:00 PM.

Trust Funds resolutions were reviewed:

FIN-003R – CETALC request recommended in full after additional documentation. Moved, seconded and carried without opposition. It was moved, seconded, and carried to place it on consent.

FIN-015 (TF#1194) was moved and seconded to approve and place on consent. Carried.

FIN-016 (TF#927 additions) was moved and seconded to approve but *not* place on consent. Carried. It was thought appropriate to have EC see the thanks being delivered. The following resolutions were moved, seconded, and carried, but not to be placed on consent.

FIN-017 (thanks to IC members whose terms expired in 2018).

FIN-018 (thanks to EJLC members whose terms expired in 2018).

FIN-019 (thanks to CCSR members whose terms expired in 2018).

FIN-020 (thanks for special gift of \$200,362 to be shared by two trusts).

Michael suggested doing these thank-yous as courtesy resolutions at GC, so they would be more visible. It would be a more systematic approach and giving it to the committee at GC charged to do that would be a good idea.

Navajoland

Mally had posted documents to the Extranet concerning the request to forgive \$200K in loans to Navajoland. Nancy Koonce had been in touch about this matter (FIN-022). Kurt addressed the request from the church in Navajoland, through Nancy Koonce, to forgive the principal of the outstanding loan, which would put them in a better financial position going forward. Cornelia spoke to this issue and about discussions in Navajoland about restructuring the church there. They are raising up Navajo leadership to ordained ministry. Paying the clergy is a major thrust for the request. The region is geographically widely spread. Sustainability is a major part of the mission and ministry. They have had to restructure their facilities, a re-doing of the whole campus gas pipe network because of a leak. They had to figure out how to stay within their triennium budget. The repairs put them financially way behind.

Cornelia said the Navajo people have done their best to raise additional money and to identify avenues toward sustainability. They are barely moving into sustainability. The area mission was created 40 years ago by GC. They see forward movement and their hope is to become a diocese.

Kurt supports the forgiveness of the loans. In the current budget, \$800K was built in to support the office and the bishop in Navajoland. The loans came out from the checking account. There are a number of micro businesses that have been started to help support the church.

FIN-022 was moved (Holli) and seconded (Patti). Diane called the question. Motion carried without opposition. IT was then moved and seconded to place on consent. Motion carried.

Mary Frances Schjonberg from Episcopal News Service (ENS) joined the meeting.

FIN-024 (sustainability grants) was considered. Diane moved it, Holli seconded. Additional discussion clarified that the grants identified were for 2019. Motion carried without opposition. It was then moved, seconded, and carried to place on consent.

Budget revision was then discussed, FIN-023. Budget modifications were reviewed in detail, illustrating line 451-457 (refugee work, non-government). Government funding for this work is about nil but the church wants to continue the work. Two positions cannot be funded by the government, so these costs are added to the budget. In the adopted GC \$39K is included for EMM. Development believes that this can be achieved in the triennium.

Kurt noted that some of the budgetary surplus was unspent funds for translation. Michael Barlowe discussed the change in the GCO budget lines, especially around efficiencies in the IT area (GC software development, e.g.). Discussion covered the use(s) of the reserves and carry-overs and the process for requesting budget additions. There was a look taken at the educational component, about abilities to make three-year projections and establishing a pre-paid expense in the budget. It was noted that the development of the GC software has saved the church a tremendous amount of money along with preventing materials from ending up in the landfill. Michael expressed his concern about the importance of software development and intellectual work and the increasing costs of doing that. If systems are not brought up to speed soon, it will cost a great deal more in the long run. Cornelia talked about the importance of the coders, who have been trained in Navajoland who keep the website there up to date.

With the unspent \$125K for website translation for Title IV and the \$475K in Michael's memo about ongoing IT work, FFM-023 covers these budgetary changes.

A look was taken at the bucket list that Mally had posted to the Extranet page. There is a desire to hear from the liaisons to other committees at each of the EC meetings. Requests have been heard from the PHOD about more budgetary strategic planning. Review of the travel agent is considered something that should be done at this juncture. Michael believes there is money to be saved by having more Cloud-based systems in place for travel. Suggestions: a working group to explore possibilities; gathering data from EC and staff travelers about travel experiences to establish priorities for the triennium. It was noted that airfare goes up about 28% per year.

What will be the cost of Cuba coming back into the church? Operating expenses of mission there is key and these expenses are unknown. The due diligence mandated by GC is expensive and all documents need to be translated by professional translators. Michael guessed \$100K in costs to the DFMS to help them happen and the picture may be clear by October. Their projected operating budget for 2019 is \$238K. The block grant is \$117K; dividend income provides another \$23K.

14 dioceses were helped to send deputations to GC last triennium. Block grants were begun about 20 years ago for theological and practical reasons. The grant recipients are not all making good decisions and lay/clergy representation is a fundamental of the polity of the church. Michael suggested increasing block grants to cover GC participation. The GC assistance money given in 2018 didn't make a big difference in the number of attendees to GC. The grants covered registration for two deputies and payment was made only if registration was done. Block grants have not been increased for a long time. FIN can recommend a change in the bloc grants for the triennium. What should be expected from a bloc grant?

Conversation stopped on #13 on the bucket list at 6:10 PM.

FRIDAY – February 22, 2019

Morning Prayer began the session at 9:00 AM. Mary Frances Schjonberg and Mark Stevenson were present. Sharing continued and the meeting began at 9:45.

It was moved, seconded, and carried to accept the grant recommendations for UTO grants. The YACM grant report was considered, moved, seconded, and carried. Holli recused herself from this vote because of her status as a paid consultant. Zena acknowledged her relationship with Life Together in Massachusetts.

Assessment Review Committee (ARC)

The committee heard from Mally, who chairs that committee, about the resolution proposed for granting waivers. ARC wanted to stress the positive results of changing the Assessment to 15% and lowering the deduction, i.e. compliance has significantly increased. 75 dioceses are at 15% and the other dioceses are not there yet; 20 diocesan commitments are still outstanding. Central Gulf Coast has provided a plan and will be granted a waiver. Colombia, Dominican Republic, and Taiwan are increasing their commitment(s) and have been granted a waiver. Staff have been working with these dioceses.

Dallas was discussed in some detail. ARC has decided not to grant a waiver because of the way the diocese splits its pledge. The committee is still waiting for Colorado and the Convocation of Churches in Europe. Honduras, possibly a candidate for a waiver, said they applied for a waiver but they cannot find a copy. Patty, who had been in contact with the Canon to the Ordinary of Pennsylvania, explained that their percentage is going to be lower as their expenses increase. The leadership needs help explaining to their diocese why they should give to the Episcopal Church budget at all. Repeated attempts by Patty and Rosalie Ballentine to speak with the bishop have been unsuccessful. They asked for a one-page document to help them talk about reasons to support the budget. A pattern in the diocese is to use its endowment to meet expenses. After a long discussion, it was agreed that the House of Bishops is the best source for dealing with this diocese.

Rio Grande has a new bishop and has applied for a waiver. Their plan is by 2032 they will be at 15%. They applied based on financial hardship before the bishop election and at that time there was a plan to get to 15% over three years. Kurt will be in touch with the diocese and suggest conversation with ARC bishops.

Venezuela will be given a one-year waiver. Diocese with low pledges are those where personal contact is being tried. Fond du Lac will apply. The officers will be part of the conversation about Albany. San Joaquin came in at 15% and Iowa, at 14.8%, is counted as 15%. Three dioceses committed above 15%. The dioceses which are noncompliant will not receive grants from TEC in 2020. The ARC needs better communication plans and a design for a way forward to continue this work.

Short Term Reserves and Trust Fund Choices

There are unallocated short-term reserves of \$5.7 million. Kurt explained the nature of the short-term reserves and the need to have 3 months of liquidity to pay bills. He proposed moving \$3.8 million into the \$5.7 reserve, where it stays safe. The discussion covered placement of current money or possible surpluses going forward, specifically where is it best placed to earn? If in a Custodial account, money can be withdrawn.

It was moved (Patty) to put 80% of the 2016-18 budget surplus into a trust and 20% into short-term reserves (\$1,140,000); of the \$19 million of the real estate sale, fund/recognize \$574K for the request from the GCO for IT and fund Navajoland forgiveness (\$200K). It was noted that \$7 million (San Joaquin loan forgiveness) should replenish the checking account and fund the rest of the reserves \$2.6

million. [NOTE: These numbers were corrected later to reflect the exclusion of \$1.1 million of reserves not used for racial reconciliation that were previously carried forward into the GC2019-2021 budget.] The rest should be invested in a custodial trust. Seconded (Andrea). Discussion was thorough. Observed: the \$574K to the GCO would not be a carry-over from the prior triennium.

The budget process last triennium wrestled over the non-government supported work for refugee resettlement. They asked for \$960K and were put off until there was knowledge about how the US government was going to proceed with refugees. The church wanted to continue the work but how it would be funded was an issue. The EMM director is actually the deputy director of EMM via our budget. The director is paid with government money. Kurt noted that the loan collections yielded \$1.3 million more than was budgeted for the triennium.

FIN-023 (accept 2019 budget revision), version 2 was reviewed, moved, seconded, and carried without opposition.

CCSR

Diane reported on the organizing conference call. The CCSR wants to have a relationship with FIN so that everyone knows what everyone is doing. They divided into subcommittees using the resolutions that came from GC that had an impact on the work. EC and the Church Pension Group work together. FIN oversees the guidelines for CCSR. Diane was asked to bring information on investments in Palestine for the June meeting. The question is one of how to make increased or positive investments in the area. There is a CD with the Bank of Palestine in the amount of \$500K. That could be added to if approved by committee(s). It's the only reliable liquid investment in Palestine. Any other opportunities are small and not very liquid.

FIN-026 (thanks to departing audit committee members) was moved, seconded and carried.

FIN-027 (waiver approvals) was moved, seconded, and carried.

BUDGET PROCESS

Patty requested a post-mortem on last triennium's budget process to learn the likes, concerns, and wishes. A task force on the budget process chaired by Tom Little, may inform the process. Mally and he have spoken about divergent opinions on the budget Canon. The process has improved greatly over time.

Audit Committee

Mally is liaison to the committee. Tess Judge will serve on Audit. The committee would like to be in closer touch with EC.

Mally adjourned the session at 12:35 PM.

Saturday, February 23, 2019

Mally reconvened the meeting at 10:07 AM. Patrick became ill and was unable to attend. Expanded personal sharing continued and a debriefing conversation occurred about the trip to the Oklahoma City Museum and Memorial.

It was moved (Diane), seconded (Patty), and carried to place the thank-you resolutions on the consent calendar.

FIN-028 (TF#1196) was moved, seconded, and approved without opposition and placed on the consent calendar.

FIN-029 (re short term reserves) was considered, the language perfected to reflect the intent of the committee and spirit of the resolution that directs restoration \$3,680,000 will be *returned to* trust funds,

Approved June 10, 2019

however, it will immediately be put into cash operating account to deal with cash flow. The cash account was used to loan \$7 million to San Joaquin and \$200K to Navajoland, and is depleted. The money should go to the cash account to honor the intent of the resolution. Acknowledging the spirit of the resolution and for fiduciary responsibility, Patty moved the resolution. It was seconded and carried without opposition.

FIN-021 (EC long-term reserve fund) was then moved and seconded. Discussion perfected the language to reflect the intent of the resolution. The explanation would be rewritten.

BUDGET PROCESS REVIEW

Kurt had posted a time table for the budget work. What did you like? What are your concerns? What are your recommendations? Anne, as a deputy, appreciated seeing an early draft.

One form of budget was moved to another. Now the Jesus Movement budget reflects the way things are currently set up. Last time felt like a transition process. More public notice is needed of the process so that people can feed into it if they wish. Interim bodies just begin to use their budgets when they are asked to contribute to a new process. Last time Kurt managed very effective staff input. Each member of the committee became experts on a specific focus of the budget, which worked well. Last triennium FIN began working on the budget in June 2016 and then did practically nothing else. All agreed that this is not an optimum way for the Finance committee to work.

Holli described the process as duplicative with PB&F coming in and taking over. PB&F is very large, 27 members plus staff. The hardest thing for PB&F to do is to really understand the budget that comes to them. Patty suggested taking the budget passed by GC and having Zoom meetings with PB&F to understand the existing budget so they can understand it foundationally. Mike would like a separate document that explains the various components of the budget. Patty and Mike will get together about how a two-way help can be devised for the process. All agreed that PB&F should meet earlier rather than later. The Canons actually provide some flexibility for the process. Discussion covered communication whose focus is to get input from the larger church; the need to model a better way to work together; have Bishop Anne serve as an ambassador between FIN and the HOB; using the HOD newsletter. Mally said having people from FIN working with other committees helped soothe feelings about certain budget sectors. Leaving a couple million to be worked with in the budget made it easier as well.

Revised FIN-021 was re-visited [to reflect initial investment of \$16,120,000]. Vote carried without opposition.

After a break for lunch and report-writing the session was reconvened at 2:30 PM with a brief moment to mount a raid on the snack table. The bucket list Mally had posted was looked at with the intent to see who might be interested in certain areas. #13 – Anne and Kurt, #14 Review block grants – someone with Mission Beyond, #15 Grant making processes were reviewed (See Koonce report); TRO keeps tabs on the grant reporting. What's going on in Haiti? Have a look at the grant subcommittee report to make sure the language is understood.

There was a brief Cuba discussion. Two trust funds generate about \$25K annually that goes directly to them. The total amount needed for the pension plan is \$800K to bring them current. Their annual operating budget is \$238K and DFMS contributes \$150K. They have partnership dioceses who also contribute to their welfare.

The bucket list will be revisited at the June meeting.

Approved June 10, 2019

Reflections on this Meeting:

Liked:

- took time to get to know each other better x 2
- Mally's questions
- time today to reflect on the field trip
- Respectful dialogue
- Sharing in three segments
- Honesty and frankness in the sharing
- Appreciates the experience around the table and the learning that results
- Many different voices in the group
- Openness to try new configurations – willingness to try new things
- Everyone is doing the work
- Appreciation for the staff
- Do some intro questions each time for sharing

Not Liked

- Not knowing what time snacks were available
- Squareness of the table – could it be made more round?

Kurt will try to focus on a single subject in his financial report(s) going forward. Liaisons are to give 2-3 minutes report at future meetings.

It was moved, seconded, and carried to adjourn the meeting at 3:15 PM CST.

Respectfully submitted,

Nancy Caparulo

Staff support to the committee