

The Executive Council Joint Standing Committee on Finance

San Francisco

February 9-12, 2023

Attending: Andrea McKellar, Timothy Gee, Anne Kitsch, Cornelia Eaton, Anne Hodges-Koppel, Gina Angulo, Kurt Barnes, Scott Haight, Gabriela De Castro (Interpreter), Deon Johnson, Patty Downing, T.J. Houlihan (Zoom), Diane (Zoom), Margareth Crosnier de Bellaistre (Zoom), Patrick Haizel, Pablo (Interpreter) and Brian Murray.

Andrea called the meeting to order at 3:58 PM PST on Thursday, February 9. Deon offered prayer. Andrea went over instructions for the session, abbreviated due to limited time. Anne Kitsch led an exercise around “What has been an A-HAH moment for you today?”

Andrea recessed the session at 4:30 PM for evensong and dinner at Grace Cathedral.

February 10

Andrea reconvened the meeting at 2:05 PM with the Presiding Bishop and the President of the House of Deputies (PHOD) both present. Merrie Beard, Assistant to the President of the House of Deputies was also present.

Anne K led a team-building exercise using, “What did you leave behind to be here?”

The PB was on hand to talk about the Office of Pastoral Development saying it is “overloaded and understaffed.” He described the office’s work dealing with elections and the myriad activities around them, pastoral care of bishops and their families, and the complexity of Title IV matters.

PHOD Julia supported the request and added that the position could be filled by a designated person that reports to the PB, someone of high caliber and professionalism, paid. Anne H-K talked about “right-sizing” and balancing the budget and asked where the belt can be tightened to help support the request. Discussion included the value of using professional-level volunteers within the church, e.g., the chancellors, who might fill the position. Deon proclaimed that diocesan Title IV issues suck the energy from the bishop and the bishop’s office and opined that a volunteer is not the right person for that level of work.

David Paulsen from Episcopal News Service (ENS) joined the meeting.

Agreeing that FIN would discuss this further, grants for approval were reviewed to make sure the funding is in place. Grants for Young Adult Ministry, Constable and Roanridge grants were looked at. There was a motion to accept these recommended by Mission Within en bloc. The motion was seconded and carried without opposition.

Budget Committee Report

Patty reported on the first meeting of the new Joint Budget Committee (JBC), which had divided to do the work in small groups that mirror the Jesus Movement structure of the budget. \$5 million from the 2019-2021 surplus is used to balance the current budget. There is a grass roots

movement wanting to reduce the Assessment, further reducing income to the budget by \$5M, should that go through. The Coalition for Racial Equity and Justice going forward makes \$2.5m to \$3M unavailable; and \$1M reduced income from the stock market activity all add up to potentially \$15M less income available to the 2025-2027 budget. Right-sizing will be important for FIN.

Then JBC agreed to include a line for a new PB. Questions arose for FIN to consider included, “How do we, as a church, assess programs and grants for their effectiveness to know if they should be funded again?” There is no evaluation process for a number of programs. How will FIN assess programs?

The JBC divided itself into subcommittees. On March 1 a letter will go out to bishops, interim bodies, and the church at large. On April 17, 4:00 PM EST there will be a Zoom listening session for those who wish to feed into the budget process. Between April and May a group of JBC will distill what was learned from the listening. From May to October subcommittees will work with IBs, staff, the Church to gain the needed data to craft the budget document. On October 4-6, 2023 the JBC will meet in person and draft a presentation of the budget to EC. Between December and January Zoom hearings will be held. In January JBC will meet to finalize the budget and present for EC adoption. In March it goes to the GC.

It remains unknown which body shepherds the budget to GC. Once the GC passes it, the JBC takes all resolutions with funding and tweaks the budget to reflect them. The then amended budget goes to EC for approval as the 2025-2027 budget. *Then* the JBC shepherds the budget through the 3-year cycle similarly to the process described and creates the next triennial budget.

The group talked about continuity needed in the ongoing committee. The question arose about who makes yearly changes, FIN or JBC, and discussion continued about the JBC taking budget matters away from FIN. It was agreed that a time is needed for JBC to walk FIN through the budget, so they know it thoroughly. A by-laws review was clear that JBC adjusts GC’s actions but is unclear about the annual changes. Julia said that EC members of JBC would again serve the JBC as Senior Class. The suggestion was made to note anomalies [in the process] and create flexibility make changes where the process doesn’t work well.

Mary Kostel joined the meeting.

It was noted that 3% COLA and 9% insurance increases continue.

Bishop Ousley joined the meeting by Zoom to deepen the conversation around the request for help in the Office of Pastoral Development. He gave an overview of handling pastoral care and Title IV matters. The pool of people able to manage Title IV challenges is very small.

The committee then considered FIN-022 to accept updates in the Business Methods Manual. Kurt reviewed the sections involved citing Mary Kostel’s authorship of same. After Q & A and a few small editorial changes to chapters 5 and 7 were done, a motion was made to approve the resolution and place it on the consent calendar. The motion was seconded and carried without opposition.

FIN-023 (accept revised Investment Policy Statement) was considered, moved, seconded and approved for placement on consent calendar.

Support to indigenous dioceses (FIN-025 proposed) was discussed concerning the increase. The budget line was approved and the distribution to be decided among the dioceses involved. Andrea will include it in her verbal report rather than moving ahead with a resolution.

Treasurer's Report

Kurt went through his power point presentation and the following were raised for clarification:

- When in April 2022 \$5.2M of the 2021 surplus was set aside in Trust Fund#1314 for EC, no priorities were established for the use of the funds.
- On one of the slides \$2M is shown twice (as committed and uncommitted) and is confusing. Kurt will fix this.
- Departmental expenses shown are final numbers. Questions arose about unspent and overspent budget lines and what kind of review is needed to get a more accurate view of spending.
- When does the year close and would it help to have the JBC meet to discuss reporting?

On March 27 at noon there is a meeting to which FIN can be invited to talk around budgetary surpluses and expenditures that are not made. A request was made of the Treasurer for a six-year report of year-end figures (2018-2022), specifically budget and actuals for The Jesus Movement. It was suggested that FIN spend some time on priorities, align the budget with them, and tell the new PB what they are. There are no guiding principles about priorities and it was wondered if EC should set priorities with the church.

Amanda Skofstad, Public Affairs Officer, joined the meeting.

There was much discourse about how to go from the church of 'now' into the church of the future, and where does that conversation happen; there are many successes, but we don't tell the stories very well; how do we right-size for the anticipated available income?

Overheard in sidebar conversations during break:

- do you want to grow the church or maintain it? Growth needs money.
- Some dioceses want to offer less to the overall budget, so we need to be fund-raising.
- Half of the PB job description should focus on fund-raising.
- Who is responsible for growing the church? The executive or fund the grass roots to do it?
- We need to be all in it together and to distribute the wealth to places where it is needed.

Patty went through the questions that the JBC will put to the wider church. One hope is to clarify priorities and the work around them, so the same questions aren't needed again in 6 years. All agreed it would be helpful for the PB Search committee and JBC to have a conversation.

Interest was expressed about learning how the dioceses used the \$40K COVID gift they received. The budget wants to model correct feedback of data, reflecting what was really said.

FIN-024 was raised (position for the OPD). Discussion covered: 1) the need; 2) right-sizing the amount; 3) what other ways could the position be funded? 4) how long can a young bishop reasonably be expected to stay bishop?; about a third of the HOB will retire in the next 5 years.

The session concluded with a team-building exercise seeking responses to this question: “If you didn’t have the vocation you have, what would you like to do?”

Andrea recessed the meeting at 5:28 PM.

February 11

The meeting was called to order at 9:08 AM after Morning Prayer, led by Anne H-K.

Attending with the committee were Merrie Beard, Michael Glass, the PB, the PHOD, Kent Anker, David Paulsen, and Michael Barlowe.

Guests were attending to discuss GC A125, a request for funding the Coalition on Racial Equity and Justice. Kent explained that an annual draw of 1/10 of the income from unrestricted trusts would go to the Coalition and appear in the budget as a “block grant.” If EC should decide on a 4% draw from trusts, it would be 10% of the resulting amount. He illustrated that about \$200M in trusts support the budget, some restricted for designated ministries. \$160M are unrestricted and appear as a line in the audited financial statements. Julia requested as much detail around that as possible and added the Coalition will receive 1/10th of the dividend paid out to support the annual budget. The PB said the essence of this conversation should be written to make things absolutely clear.

Patty inquired about the timing for the draw being discussed, and it was learned that 2025 would be the first year of said draw. Kurt and Kent will craft the general education piece around this proposal. Income from future gifts to the unrestricted trusts, if undesignated for a mission focus, will also fund the Coalition.

It was agreed that it would be helpful for the Budget Committee to have something in writing, signed off by the PB and PHOD, to guide their deliberations. Since a 5-year rolling average is used, budget planning will start in 2025 with the 2020 dividend number. Kurt will build into the budget the dividend declared for the 5 years ending in 2023. Short term reserves are not used.

Questions arose as to who has authority over the disposition of the block grant given to the Coalition and where are those funds held? Those things are not yet decided but significant independence is desired while there is a need for inter-dependence and accountability. The PB observed that this Coalition will be an opportunity to do something long-standing as a church.

The Coalition discussion concluded, revised FIN-024 (OPD) was considered. It provides \$125K in 2023 and 2024 with additional funding via cost reductions. The resolution was moved (Anne HK), seconded (Deon), and carried without opposition.

Discussion turned to the matter of assessing programs. The Budget Committee met and asked about the methodology used to evaluate programs and grants and their effectiveness and how EC incorporates that into the next round of grants? There is no overall analytic look and feedback.

Some groups evaluate and report but there is no consistent process. There was also concern about what is done about programs that are consistently funded and just as consistently under-spent, creating surpluses. Michael Barlowe suggested that FIN might do that work and opined that it would be very helpful to the JBC. A systemic way to do assessments is needed.

More questions popped up, including:

- Is there uniformity in departments concerning the creation of a budget?
- Is zero-based budgeting done? [FIN will look at surpluses going back 6 years.]
- How can we prepare to right-size for the future? Kurt said budget vs actual can be done to see where there is under-spending.
- What does FIN need to do for JBC? Patty responded that because the time frame is so short JBC needs to have open and clear communication and agreement on priorities to support the mission of the church.

If there is going to be agreement on the cost of administration, anything that doesn't support the mission of the church will not be funded. Patty will meet with the ELT to make clear what is needed. Where will A127 fit into the Coalition work?

After a break someone asked how many board members gave to the church in 2022? What is FIN's role, if any, in ramping up board giving? FIN's reports should always have a QR code, which can be left on the tables in the plenary room. Should members of OOD be at EC in June? Communication might highlight the voices of people who have benefited in some way from the ministries. Periodic newsletters do that. Ideas were aired with T.J. around fund-raising. Finally, it was agreed that there should be a focus at the EC meeting in Providence on fund-raising and creating a possible fund in Bishop Curry'.

FIN-184 established a trust in the amount of \$6.5M for EC to hold for future use. One of the items envisioned for 'unfunded GC resolutions' would be one of the items that could be covered by that money. Anne H-K suggested using those funds for people who would like to tackle the urgent work of the church. She proposed developing a process for the use of the money.

Anne K, however, had a proposal about the "work we never get to." When the list was made, the unfunded GC resolutions were unknown.

Patty supported having the process conversation because the JBC will meet after the next GC to decide what to fund, and there is no process for that.

There were 82 resolutions with funding, 17 of which have no funding, and some are partially funded. How can the unfunded ones be spread out around the joint standing committees? A process around priorities of mission is needed.

Michael B. observed the budget that GC passes is the mind of the GC. IBs created by GC have just been populated. He suggested giving money to things that are going to need money in the short time frame. The pressing nature of financial issues at the 81st GC budget should allow that discussion to be on the table for discussion at the same time. Discussion followed for some time

around the process at the GC and Patty asserted her desire to eliminate surpluses for future budget-building.

Andrea suggested Anne H-K go through the unfunded lines and craft a proposal so that at the June meeting there will be a resolution concerning the use of the money. She also suggested having a staff audit.

Andrea wrapped up the meeting with a look at:

- Trust Fund 1315 – Ackerman Fund, a custodial type fund so the language “as Custodian” is being removed
- The background document on Custodial Trusts
- The EJLC report
- Financial summaries/portfolio performance
- Items for the June Agenda
 - Plan for a management process for the new budget
 - OOD on site and visible
 - Short-term reserves
 - A summary of the audit (Andrea)
 - A report on Assessment Review work
 - Scholarship Committee recommendations – it meets in May

At the end of March there will be a Zoom meeting and another in May before EC meets.

Anne K led a meeting evaluation, which revealed appreciation for:

- The way everyone contributed openly and respectfully
- Staff and the interpreters
- Set-up in the room – hollow Square is preferred set-up
- Morning prayer in committee
- A need to hear from the introverts
- Willingness to discuss hard topics and look at the organization as a whole

And concern around:

- Frustration about the surplus and how to listen better; look and pray about how to use the funds where they are needed most; we’re good at deficits but not surpluses
- Creation care
- Youth and our children who are ready to go into something really different as Church
- Funding something that can help our kids

The review concluded with prayer.

The agenda having been completed, Andrea adjourned the meeting at 12:05 PM.

Respectfully submitted,
Nancy Caparulo
Staff Support to the Committee