

**EXECUTIVE COUNCIL STANDING COMMITTEE ON
ADMINISTRATION & FINANCE
Tampa, Florida
February 9-12, 2004
Minutes of the Meeting**

Present: Bonnie Anderson, Ann Coburn, Tom Gossen, Josephine Hicks, Ken Kesselus, Russ Palmore, Diane Pollard, Stacy Sauls, Tim Vann, Ted Yumoto, Jim Boyles our Canadian Partner, Kurt Barnes, Tom Hershkowitz, Tony Jewiss, Pat Mordecai, George Werner, Pan Adams (Chair of PB&F), Mark Duffy (Archivist), Su Hadden (Assistant to the COO), and Nancy Caparulo.

Russ called the meeting to order at 3:45 PM. The group shared personal stories focused on experiencing God's grace in one's ministry, while Russ and Kurt Barnes attended a press conference.

At 4:10 George suggested that some resolutions could be discussed. AF-15 (approving Audit Committee members) was **moved, seconded and carried without opposition**. AF-18 (appointing Bonnie Anderson to the Investment Committee) was **moved, seconded and carried without opposition**. Pan was asked to announce the names of the members of PB&F who would be serving on the Audit Committee; they are Anne Bardol and Gerald Keucher.

Russ and Kurt re-joined the meeting. The agenda was reviewed. Time was requested to discuss with Pat the residency requirements for staff.

The Minutes from Wisconsin, October 26, 2003 were **moved and seconded**. Discussion:

- it was agreed that the reference to attachments should be removed, since the attachments were not included with the minutes.
- On page 5, 3rd paragraph from the bottom: delete the word "have" so that the sentence would read, *"Learning curve is going to be very steep and he has been out of the processes that developed the budget."* The minutes were **approved as amended**.

The Minutes from the December 29th Conference Call were **moved and seconded**. Discussion:

- Correct the spelling of Crawl to Krall in all references
- Add: "for the agenda item regarding the church in Canada" after Cynthia Black on page 1 since that was the reason for her presence on the call. The minutes were **approved as amended**.

Election of a Vice Chair of the A&F Committee

Russ noted that no regular process is in place for electing this position. There was some discussion about reasons for having a vice chair (to be the recommendation for next year's chair, to represent the newer class, to preside or attend executive committee meetings when the chair can't be present if chair can't be present, help develop the agenda). Josephine Hicks and Tom Gossen were nominated and it was agreed that the vote would take place the following day. It was **moved, seconded and carried to close nominations**.

David Beers, the Presiding Bishop's Chancellor, joined the meeting at 4:25 to participate in discussion about AF-019, the Dual Role of the Executive Council. He had asked to be present on this issue specifically because the resolution has caused some confusion. David explained that DFMS, directed by the PB, writes checks but has no authority. He said further that this resolution should be done annually under the rubric of tidiness and financial propriety. The trouble with the resolution is that 80% of the resolutions adopted by EC have nothing to do with DFMS; they concern the PB, mission, and policy. It is overbroad to say that the resolutions are attributable to DFMS. He suggested that all resolutions adopted by EC that are deemed by DFMS to relate to its financial responsibilities are "deemed to have been

adopted or ratified by the board of the DFMS,” narrowing the resolution to the financial responsibilities of DFMS specifically. The DFMS is a check-writing organization and policy is made by EC.

A new AF-019 will be presented to A&F for consideration and action amended so that there will be something physical to review. The resolution makes it clear the DFMS is not a policy making group, so EC won't have to identify each resolution every time there is a vote. This same resolution needs to be done at the winter meeting at the first year of the triennium.

In response to the inquiry, “Is it necessary for DFMS to exist?” David opined that politically it would be difficult to abolish. Since the Episcopal Church is *not* a corporation, there are places in the country that would deem it important to have the DFMS.

Report of the COO

Pat Mordecai said the only significant change in the church center staff since October is that Kurt Barnes is now on board as treasurer. Good progress has been made to identify missionaries in Ethnic Congregational Development; Angela Eiffel starts next week as the Black Missioner; the Asian American missioner will start in the spring; an offer will soon be made to the Native American missioner. Interviews took place ten days ago for the Director of Mission and evaluations continue concerning where that process is with regard to the candidates. They are doing everything possible to make the right appointment. When asked about deployment, Pat responded that the deployment board is acting as a search committee for that position. Pam Ramson is director for 2004 and they hope to have that determined by the end of this year.

Church Center staff have made progress on lease agreements for agencies taking space at 815 second Avenue. Agreements have been drafted and some have been signed. Agencies have been apprised of what the costs will be for computer and telephone based on the experience of the past couple of years. They already pay postage costs.

Pat noted that there is potential difficulty with respect to the Anglican Observer's Office, where there are insufficient funds to meet the costs. 85% of the costs of that office are the result of fund-raising within the United States, so very little of their funding comes from the Anglican Communion Office in London. Pat will have more to report at the next meeting.

Bonnie asked if the agencies had been notified about space rental. Pat responded that the agreement is called a lease but it just covers services. Tom G asked if ERD is one of those. Pat clarified that ERD is in a different category but that their memorandum of understanding will be reviewed in July. They currently do not reimburse us for anything. Bonnie continued that PB&F made a strong recommendation that they be assessed just like everyone.

Pat went on to say that one other organization is not dissimilar to ERD. The International Partnership for Service Learning spun off from Colleges and Universities of the Anglican Communion to be a separate 501©(3) so they could raise money. They will be considered to sign the common agreement.

George Werner briefly discussed the composition of the EC Guam Task Force and gave a short review of the St. John's School history and current status. This EC had voted in October to explore the matter that way.

Treasurer's Report

Kurt Barnes presented AF-016 (appointment of independent auditors), recommending the reappointment of Grant Thornton whose team did the 2002 audit. Kurt has worked with them in another venue and found them to be very professional. Their fee agreement was for \$125,000 with an escalation yearly over three years. Higher costs were incurred last year owing to additional work on a performance audit. AF-016 was **moved, seconded and carried without opposition.**

Russ asked Barnum McCarty, who with Earl Cavanaugh is doing liaison work with dioceses, to speak regarding that work. They were charged to call dioceses to learn the lay of the (financial) land, establish a dialogue, say thank you to those that are contributing, and to obtain a projection from those who have not yet committed to the 2004 budget. Barnum said that without exception there were no rancorous conversations in the 45 dioceses he has contacted and generally his calls were positive. He will continue to make calls until April 10th. Tom H. said EC should recognize Barnum and Earl's work.

Tom H. reported that he is in process of closing the books for 2003. Budgetary numbers are positive for the year and for the triennium. There are some open issues about bills that haven't been presented yet but he anticipates closing by the end of February. The numbers look fairly positive with an estimated closing with \$3 million to the good. Tom explained the difference between budgetary and statutory financial reporting. He went on to discuss financial implications of Guam, where the carrying value is greatly in excess of the market property values. Currently there is an effort afoot to obtain a value for today's market. This may represent as much as a \$15 million write-off on our books. The task force will help to determine the fair value of the property. Tom will build a reserve in the 2003 financials for the difference between the book value and the real value for the statutory financials. Guam aside, Tom allowed as how 2003 will exhibit a stronger return for the financials than we have had in a long time. Year-end 2002 trust fund value was \$233 million and it is now \$286 million at 2003 year-end.

With regard to diocesan commitments to the budget, Tom said the trend is positive. Two weeks ago it looked like we were down 8.4% from General Convention budget and now it is closer to 6%. By the time the actual documents are received it should settle at around 5%-6%.

George added that in dioceses that are aligning with the Network, many parishes are voting to stay with the Episcopal Church and sending their funds to the national office. He estimated that as much as 40% of parish budgets may be sent to New York. As independent/indirect contributions are acknowledged the donors are asked if they want their gift attributed to their dioceses. Tim has gotten calls from parishioners and would like to know to whom he should refer them. It was agreed that Kurt should receive and respond to those calls. Discussion followed and included agreement that it is important that there be one voice responding, a person who understands the situation and can speak to the topic; no one should ever respond to the press. It was asked that this discussion be taken to the plenary so all of EC would know what A&F recommends.

The committee also agreed that the communications office should help in this area and that representatives of the collaborative body should be able to respond to simple questions from diocesan members. It was felt that the Communications office could help frame what came out of this EC meeting. Russ and Kurt agreed that they would speak to Dan England to get guidance in this area. Then the issue can be discussed in plenary.

Tom distributed AF-012 (amended budget 2004) and asked if questions about the budget had arisen after the presentation in plenary. There had been questions about un-funded GC resolutions and about extra-budgetary needs and projects. **AF-012 was moved and Seconded.** Discussion continued. Tom G. noted lack of reference to 815 renovation in the budget, the possible debt service costs to such a project, etc. It was **moved, seconded and carried to withdraw consideration of AF-012 at this time.** Ken then **moved**

to wait until Wednesday morning to deal with AF012. Seconded. After discussion about procedure on Wednesday morning at 9:45 , the **motion carried.**

AF-021 (payout from endowments and trusts) was presented. The payout rate established is 5.5% over a 5-year rolling average for trusts/endowment for assets that are budgetary, which means a rate of \$1.10 per share. For non-budgetary (actual trust assets for which we have fiduciary responsibility) trusts it will be \$1.00 or 5%. **This was moved, seconded, and carried without opposition.**

AF-011 (the Gerdau Trust Fund 1001) was presented. This trust will be funded with assets that are originally in Trust Fund (TF) 927, which was set up 14 years ago to receive the proceeds from sale of the Otto Gerdau business. Monies are made available for the education of ordained people, nonspecific as to denomination. The money was given as a “wish” rather than a restricted endowment and has been used for years to support the operating budget. Carl Gerdau has asked that we consider this trust to recognize the original intention of the gift. The move not to restrict it from use in the general operating budget but to note the intent of the donor. The explanation of the resolution was modified to recognize the “intent” rather than the generosity of the original gift. This was **moved, seconded and carried without opposition.**

Julie introduced AF-13 (TF 809 – Grants from Latin America), explaining that this is an annual resolution that was diverted to A&F this year. Usually it originates in International Concerns. It was **moved and seconded.** Discussion covered 1) who decides who gets what amount? 2) remove the language “Standing Committee on Program” since there is no such thing; 3) it should come from A&F *and* INC; 4) is it safe to send money to Ecuador Litoral? It was noted that Jose Gonzalez, the grants auditor, physically delivers pension and other monies to difficult locales. Tom suggested holding back the portion from Litoral. 5) **Moved** to exclude Ecuador Litoral until we gather more information about the appropriateness of sending money there. **Seconded.** There was a suggestion to raise the issue with Pat Mauney. **The amendment carried without opposition.** Additional discussion raised additional questions. How are these funds accounted? **Moved to table. Seconded and carried without opposition.**

Josephine reported for the Audit Committee. Meeting by conference call, they had approved Grant Thornton as independent auditors as well as the audit plan they presented. Grant Thornton also reviewed financial and accounting procedures audit they’d done in 2003. The Committee agreed to update its charter at the next meeting and report on the conditions in Guam.

AF-017 (transfer carriers of DFMS lay pension plan) was presented by Kurt and background given regarding the events leading up to the decision to transfer. The resolution was **moved and seconded.** The suggestion was made that the resolution needs to make clear that the lay pension plan being discussed is for DFMS employees only. Discussion revealed that the contract with the new provider, DIA, is open-ended and can be re-negotiated with minimal fees attached; they manage funds for other managers; employees will have far more options for investing; CPG, who was also considered, had a small selection of mutual funds; employees will have the option of moving their invested funds over or leaving them with Principal, the current carrier, and starting new accounts with DIA; no new contributions will be permitted to Principal once DIA is in place. Concern was expressed that this would be the third carrier for the lay pension plan since 1991. The resolution **carried without opposition.**

The session was recessed at 6:00 PM.

At 2:40 PM on Tuesday, February 10, Russ called the meeting to order. Mark Duffy, Archivist, was introduced as was Reynolds Cheney, Chair of the State of the Church Committee, Su Hadden, Assistant to Pat Mordecai at the church center, Jim Bowles, our Canadian partner, Jerry Hames, Editor of Episcopal Life, David Beers, and Carl Gerdau.

Mark was asked to begin. He gave some recent history. At the beginning of the last triennium Archives were asked to establish a task force to look at the question of relocating the archives from Austin at the Seminary of the Southwest. Since the early 80s a space problem had developed which escalated in the 90s. At the same time, the seminary re-planned their campus expansion, which did not include space for the Archives. The task group was set up and met in Chicago, established an executive group, prepared a Request For Proposal, and talked with potential partners. The Archives focus was to establish a facility within an educational institution or church agency that would represent value added to their work and they agreed that New York City would not be a good location. In the meantime, the task force chair, John Cannon, died and the seminary has undergone a change of focus and energy with the coming of a new dean, Titus Presler, who would like to retain the Archives at the seminary. The seminary is coming to the end of its evaluation and the Archives needs to do the same. They are dangerously overcrowded, physically hampering the staff's ability to do their work. A decision must be made to either build a new building or renovate a building on site and they will need funds from the national budget to carry this out or embark on a fund-raising effort to underwrite it. Other opportunities presented to them, which they might have seized upon, have been missed.

Reynolds Cheney is visiting at EC observing committee meetings. Russ welcomed him and invited him to address A&F. He distributed the State of the Church report and said that an issue with the State of the Church Committee has been that there was no continuity in the committee from triennium to triennium. Responding to the recommendation in their report, George Werner reappointed 4 people to the committee. They have not yet met but have begun gathering data. He's here to ask where EC members see the church at this time. The Parochial Report is his committee's responsibility and they are working to improve it so that it provides meaningful information. Reynolds expressed his thanks for Lee Clark and Kirk Hadaway for getting some solid numbers. The committee believes that the church is in good shape but that we need to find common ground for shared ministry, a thrust and a place to draw people together. Clark and Hadaway have discovered that there is an impending clergy shortage in the Episcopal Church. A request was made to restore the line in the Parochial Report to identify which congregations are giving to theological education. The revised report took away identifying factors about gender, ethnicity, etc in honor of inclusivity, so we now have no way to evaluate how we're doing.

Russ asked Kurt to address the analysis of the GTS project and make his recommendation. Kurt replied that he had approached the analysis with an eye toward legitimate shared expenses. He had accumulated all the expenses, separating out those that would benefit either party in the long-term. He outlined what was and wasn't considered shared and arrived at a bottom line balance of \$205,000.00. "We had legitimate shared expenses that we owed them for."

Pat Mauney, Director of Anglican Global Relations, and George Packard, Bishop for Armed Services, Health Care and Prison Ministries, joined the meeting as did Tony Jewiss, Rosemari's deputy.

Russ went on to recall that a small committee of Stacy, Ann, Tim and Russ met between Wisconsin and the Conference call in late December to review the GTS issue. That group brought to the conference call in December a \$350K proposed gift to GTS. During the conference call Ken asked that we look more carefully at the numbers to see where we stood and Kurt responded with this report. It was **moved to send GTS \$205,000. Seconded.** Discussion: we won't just write GTS a check, but we will tell them how this came about. Ann appreciated Kurt's layout of the numbers. Concern was aired about our setting a precedent that we will simply pay off people who ask for money. The analysis makes it clear that this was our responsibility. Kurt said for future such projects we need to talk about break-up fees. Ken appreciated the work, too, and assumes that the money would come out of reserves. He **moved to amend the number** to \$204,633.40, the remainder of monies owed based on Kurt's analysis. **Seconded.** Discussion made clear that the figures are different from those presented by Ward and if we get into nickels and dimes it is an opportunity for more nitpicking. Opposed to the amendment. George favored the amendment, recalling that we'd gotten two requests from Dean Ewing in two separate letters but none from the Board of

Trustees. The board chair and past chair met with George, the PB, and Russ to do some fence mending without rancor. Russ said that he did get a call from his counterpart on the board, who works on Finance and Administration and who supported Ward's request.

Josephine wondered if GTS would consider this as closure. It was Ann's sense that there has been closure. GTS wants to get on with things. All agreed that a letter should be written to GTS to state what is believed from DFMS standpoint. EC is satisfied that this is the right thing to do.

Quite lengthy discussion covering a number of facets of GTS's financial claims resulted in the belief that Kurt has been generous in the analysis. Eventually, it was suggested that the amount we agree upon shouldn't relate to the amount that we "owe." We are being generous in considering this but it is also the right thing to do; let's make it \$205K and call it an end.

Ken suggested we were nitpicking and that we amend the amount to \$200K or 250K. **Vote on motion to amend: motion defeated** A new **motion was made to change to \$225K**. After hearing **no second**, it was **moved** to change to \$200K. **Seconded**. No discussion. **Motion to amend the amount to \$200K carried with one negative vote. The main motion then carried without opposition.** Russ will draft a resolution and bring before the committee for approval.

Deliberations turned to AF-022 (Episcopal Church Foundation [ECF] Agency Agreement). Julie explained that the resolution is tied into the loan request from ECF and requests that the remainder trusts belonging to ECF be moved into their accounts from the DFMS accounts. Diane has draft copy of the agency agreement that has gone to the attorneys. If we approve the agreement it would be subject to ECF coming back to say that everything is in order. It was suggested that we need to add language that says, "subject to receiving a legal opinion" in the conclusion of the agency agreement. Tim noted that the resolution doesn't say anything about fund-raising. This money has been sitting there that belongs to ECF. The resolution was **moved as amended and the motion seconded**. Russ and Diane will work on the language change. **A022 Carried without opposition** subject to the conditional language change.

Russ directed the deliberations to Canada and the proposed PECUSA gift to the church there. Pat Mordecai recalled that at several meetings during the last triennium EC expressed concern about our partnership with the Anglican Church in Canada, especially as reports were delivered about what was happening regarding law suits and expenditures necessary to deal with them. At the April/May 2003 EC meeting the discussion arose following Helena Rose's report about the settlement that had been reached. Cynthia Black proposed giving \$1 million to Canada. The conversation halted when Paul Moore's death was announced but was begun again in Ellicott City and a resolution was passed. The PB had a conversation with the Primate of Canada, who followed up the conversation with a letter asking for "restoration fund" to restore depleted financial resources of dioceses and the general synod for initiatives for healing in the aboriginal community.

Jim Boyles was asked to speak to this issue. Jim presented an overview of the law suits filed against the government and the church by students of residential schools across the country. There are 12,000 claimants and cases are being settled very slowly since the government and the church have been arguing about responsibility. The Church had no more funds to pursue the matter and finally an agreement was reached that responsibility could be split 70/30 (government/church) with a cap of \$25 million, raised over 5 years, to settle the claims with the Synod contributing \$3 million and the dioceses \$22 million. Jim elaborated on financial conditions, the status of their healing fund, the difficulties in evaluating the results, the inception of a restoration fund. It is a complex and very costly issue that has caused dissolution of one diocese and threatens several others. There are class actions that have been launched based on factors of loss of language and culture, even though Canadian law makes no provision for such a claim. Jim said that much information is on the Canadian church's web site and invited the committee to log on.

Russ spoke with the PB about his conversations with Michael Peers after EC requested that we delay a gift until it was clear what vulnerability the Canadian church would be subject to. The PB asked the Archbishop to let him know how we could make a contribution with the assurance that it would be protected for the church's use. PB had not thought of doing an appeal to the individual dioceses across PECUSA but feels that maybe a diocese to diocese relationship might be very helpful. A&F needs to recommend a path of action to EC. Jim added that the Archbishop's experience at House of Bishops brought about some offers of help. An appeal has not been made in any other province in the Anglican Communion.

The PB gave leave to Jim Boyle so that he would not have to sit through the ensuing conversation. Bonnie asked if the healing fund could fall into ERD's disaster relief work. The PB was surprised Jim mentioned the healing fund but added that the aboriginal community needs to know that the Canadians are taking the healing issues seriously.

Bonnie said it feels like this was a disaster and we might explore the ERD avenue. George asked whether we want to do something and, if so, what do we want to do and what amount would be appropriate? He suggested that a small subcommittee would be better able to determine that.

Russ asked if this is something that could wait. It is a serious and complicated issue and we can appoint a group to meet separately to take advantage of the benefit of time. Michael Peers is retired and there is an interim.

Ann brought up the issue of precedents and actions that might set them. She liked Bonnie's thought about ERD doing something, even though the amount granted by them would not be as high as the \$1 million that has been proposed. She supported sending a committee to Toronto to meet with the interim primate, obtain more information, and come back with a report at the next EC meeting. She felt there would be a better sense of solidarity if there were broader participation within the dioceses to contribute to a gift.

Ken thought that, if there is interest in Ann's viewpoint, we need to decide on a direction before we go to Canada. Our vote to give \$1 million came at an emotional moment but any response by dioceses needs to be a result of action taken by EC. The urgency is held back only by our understanding of the appropriateness of where we should send the money.

The discussion covered Michael Peers' idea of Canada writing to the dioceses and other thoughts that EC should invite dioceses to participate in a decision made at EC. Tim stressed that no one should write to our dioceses. Pat Mordecai suggested that the PB could raise the issue in the HOB in March.

Ann pointed out that the Church in Canada has raised \$8 million and used \$2.5 million. We have time to look at this in a broader, better light. The PB added that a good end point would be the election and enthronement of the new Archbishop. The subsequent dialogue aired concerns about contingencies on any gift, the need to explore partnership opportunities, and how it might look to the rest of the world – the wealthiest province giving a large amount of money to the second wealthiest province.

It was moved that chair appoint a subcommittee to report back to this committee in June. Seconded. Carried without opposition.

Patrick Mauney was asked to address AF-013. He said that the resolution is a template dating 2 to 3 triennia ago, when the four committees then were A&F, Planning, Communications, and Program. At that time the EC decided that this annual request would come through Program. A trust fund was established from the proceeds of the sale of a seminary in Puerto Rico in the early 1970s, the church having decided it wasn't good stewardship to maintain the seminary. The trust benefited Latin America and the Caribbean

(CETALC) as the income from it would be expended for theological education, including scholarships to individuals in that region. A commission receives applications and makes recommendations for expenditures from the trust. There are fairly large allocations made to the commission itself and to the Theological Congress; they are planning to hold a congress for the region and funds are being set aside for that. The \$25K for CETALC is likely to cover travel to bring the commission together. The \$40K is for a coordinator and office expenses. Patrick said that Ecuador Litoral is not part of this. It was **moved to adopt AF013. Seconded.** Discussion touched on issues of accountability and it was learned that each diocese is asked to submit a report. For the larger request Anglican and Global Relations is implementing the requirements set forth at Santo Domingo. **Carried without opposition.**

After a short break Jim Boyles rejoined the meeting and Russ reported the results of the conversation concerning Canada.

Pat Mordecai was asked to review the Philippines matter. GC in Denver 2000 passed a resolution that called for monies to seed endowment fund for the Episcopal Church in the Philippines (ECIP). In 2001 EC passed a resolution for a foundational grant to launch the endowment fund, which would lead the ECIP toward autonomy in 2007. No action was taken. Once discussion with A&F concerned an extension of the covenant relationship to cover the foundational grant at \$500K. At the April 2002 meeting of EC a resolution supported the establishment of a centennial endowment fund for the ECIP. We need to determine how to proceed.

Pat Mauney contributed additional background. At Detroit in 1988 four or five dioceses in the ECIP received permission to become an autonomous province of the Anglican Communion. A covenant was written and approved by the GC giving permission. The Covenant planned to gradually reduce the appropriation from PECUSA and end in 2007. PECUSA currently gives \$267K per year and the ECIP plan is on track. They are proud of it and they have not asked for an extension of the covenant agreement. Another aspect of the covenant is that PECUSA would assist them to establish an endowment fund to assure ecclesial operations going forward.

Patrick covered the financial obstacles since Denver and the need to honor the covenant agreement. Comprehensive discussion followed where questions were answered and a direction eventually articulated. It was **moved and seconded to give** a \$250,000 foundational grant to the ECIP. Tom Hershkowitz agreed. The conversation shifted to speculation about future national fund-raising campaigns and **Tim called the question. Seconded. Carried. Vote on the main motion: Carried without opposition.**

Fundraising is to be a major topic of discussion on the June Agenda. That agenda also needs to include budget/mission priorities.

At 5:25 PM the committee cast votes for Vice President and Russ recessed the meeting at 5:30.

The session was reconvened on Wednesday 9:50 with the announcement that Josephine Hicks had been elected VP of A&F. Liz Leber, architect, was present at the session.

AF-022 (ECF agency agreement) was taken up again. Diane addressed the matter of a planned giving program. Goldstein Krall Marketing Resources was selected to run a survey to look at three different populations within the church, current donors, potential donors, and a special group comprised of five especially selected people, by referral, who are willing to talk about their feelings about planned giving. It is believed that people selected by referral will provide a good sampling. The task force is intent upon doing this with ample information going out to all parties. The PB had a luncheon set up with Alan Blanchard of the Pension Fund to see what their feeling would be about their co-sponsoring this effort. The CPG board is meeting next week to discuss it.

Consideration was given to AF-012 (2004 Budget). Russ asked for consideration that A&F adopt and present it at the plenary for wider discussion on line items. The resolution was **moved and seconded**. Discussion: thanks were expressed to Kurt for outlining the major budgetary changes in the pre-meeting information. He was asked if there were any significant points that A&F should know about. There were none. Motion **carried without opposition**.

Pat Mordecai was asked to discuss AF-021 regarding the proposed renovation of 815 Second Avenue. Recommendations were outlined, architectural plans, overall budget, financing options and construction timetable were reviewed. Pat discussed the schedule. Should the project be approved by EC, the following would begin:

- Elevator contract will begin right away
- Award furniture manager contract to inventory existing furniture and decide what will be needed in the new plan
- Final design development by the architects based on plans that have been developed
- Cleaning out the 43 –year accumulation of “stuff” in the two basements of 815
- Spaces will be consolidated and necessitate the tossing of a lot of stuff

Elevator work will begin in late April or early May with an eye toward an August completion date. Then asbestos removal would begin September 1st. The rest will begin in 4 phases: beginning at the bottom in order to relocate the archival storage into a new temperature controlled space in the basement, enabling use of the mezzanine space for a conference room and a place to support computer systems. The last things to be renovated will be the lobby and chapel. During these phases the staff will be relocated to the upper floors; those in the upper levels will only move once. Completion date is estimated at June 2005 according to the construction schedule. Pat indicated a concern of the staff is that the renovation should not effect the preparations for the next GC.

Pat introduced Liz Leber from Beyer Blinder Belle Architects (associate, Carolyn Straub, was not present), who was brought on to help assess space needs for 815 in summer 2003. Liz introduced her work by saying that a renovation of 815 was special because we own the building and call it ‘home.’ She outlined three goals of the renovation: 1) upgrade mechanical systems, which are original to 1962; 2) analyze space requirements for staff to be more efficient; 3) create more comfortable work environment for the people there. She said they have completed a schematic design and now are doing design development; this was illustrated via a PowerPoint presentation. Liz made observations including:

- asbestos containing materials exist throughout the building
- mechanical systems have only been minimally upgraded
- ventilation is very poor and no control is available from space to space
- lighting is of poor quality
- a generator and sprinkler system are needed to comply with new codes

The architects interviewed each department head and agency head at 815. Post renovation 26,000 square feet will remain to be rented.

Kurt followed with the financial presentation. (get presentation and append to minutes)

With compliments to the presenters, concerns were aired about where the money comes from, the cost of debt service if we borrow, how will that effect program/mission, the \$600K per year difference between tax-exempt and non-exempt financing, the number of ‘ifs’ (including the uncertainty of rental income) preventing solid financial estimates, income stream from struggling and disaffected dioceses, lack of fund-raising or development plans included in the package. It was consensus that the tax-exempt (loan) deal would be a deal-breaker if we can’t get it. Other issues included:

- the expenses of what it would cost additionally (capital) to remain in the building as systems fail

- tax exempt shows positive cash flow over time.
- stripping out the costs of the heating/ventilating and sprinkler systems [noted: once you do some things to meet the code, you have to do the others]
- effects of rental income from the agencies (could yield \$250K cash a year)
- the chapel renovation might possibly be done privately
- repayment of P&I would be an additional draw on endowment offset by rental income

After in-depth conversation concerning rental charges to the nine agencies and the August 4, 2003 PB&F resolution recommending that all organizations not legally part of the DFMS be charged rent, it was apparent that Kurt's financial projections had been made from a conservative approach.

Diane observed a reluctance to follow through and charging the agencies and believed the agencies need to know that they will be expected to contribute to whatever work is approved.

Tim said, "sticker shock is going to be a real problem in the midlands."

Regarding materials that are stored on the mezzanine level, Diane inquired about their nature and whether or not consideration had been given to digitizing the records or putting them on microfilm to reduce bulk. Mark Duffy answered that much of the bulk are vital records and materials that are needed for the ongoing conduct of the society. They supplement much of the electronic data, which is stored offsite. Source documents are of interest to the archives. Former microfilm production was stopped because of the expense. Storage in Austin is far cheaper.

Russ stated that AF-21 needs to be discussed along with its back-up materials. The resolution was **moved and seconded** as proposed. Discussion revealed that no figures were included in the presentation about PB's residence. This was questioned. The reply was that with the Nominating Committee for a New PB working the issue of the residence arose and generated additional questions : should the residence be available? are there other options? what kind of flexibility is there? if we stay at 815 would the PB continue to live there and have no option to live elsewhere? are we taking that possible option into consideration? would the 11th floor become part of the rental space if the PB would live elsewhere? Pat said they had considered that the PB residence would stay there because it is already there and the alternative would cost more money. Ann stated that if there is no option the prospective candidates need to know that there is no option.

Kurt allowed as how there are always options but the NYC city code will not allow a non-church resident to live there. It would be possible to gut it and rent space for a residence or another use. He asked if the church would want to offer the new PB a choice, recognizing the local economic realities, and have the new PB find a place to live and pay the freight. The architects can always go back and redesign the plan to include the residence.

Ted thought all available options need to be investigated and felt the option of buying a NY condo at 3,000 sq/ft would be very costly. He looked at the top floor as an economic equalizer.

Kurt had re-worked the financial numbers looking at 1 Hudson Square at \$26 a square foot, which did not improve the total picture. That reduces the negative cash flow to a negative \$21 million.

Tom G asked Liz since the asbestos assessment isn't complete, what (asbestos) is in the penthouse that isn't included in the renovation? She was unable to answer the question. Many questions arose, yielding more uncertainty about how to proceed.

With the matter unresolved, the session was recessed and reconvened over lunch at 1:10 PM, without Ann and Tim. Russ suggested leaving the financial presentation to plenary for tomorrow in order to give a more organized one.

AF-024 was presented (grant \$250K to fund the ECIP endowment fund), **moved, seconded, and carried without opposition.**

AF-025 resolution (conclusion of DFMS/GTS) was **moved and seconded.** Discussion. Amended the language from ‘payment’ to ‘amount.’ Concern was raised over using the word “conversations,” until it was learned that there had, indeed, been conversations. The motion **carried as amended.** This resolution became AF025a.

AF-022a (ECF agency agreement) was presented with amended language. It was **moved, seconded, and carried without opposition.**

AF-19a (with amended language by David Beers added to read “all resolutions passed by EC that relate to the financial responsibilities of the DFMS shall be deemed” . . .) was **moved, seconded and carried without opposition.**

Russ discussed placing A011, A-015, A-016, A-018 on the consent calendar. All agreed.

A letter from Robert Brown to Louie Crew was introduced. It asked for consideration for cost of living increases for retired lay employees of the 815 staff. Russ asked for agreement that staff will respond to that letter. Pat said she was approached by Bob Brown and some other people in the fall about the issue. No cost of living increase has been made for retirees who were on the former defined benefit plan. EC has the authority to determine whether or not a cost of living increase is appropriate. Pat had told Bob Brown that staff would look into it after there was a new CFO in place and make a recommendation to Council in February, but the needed research was not completed. Russ will report to Louie that it will be on our June agenda.

The Anglican Communion has new office at St. Andrew’s House, Westbourne Park, London. The PB has received an appeal from John Peterson who is Secretary General of the Anglican Consultative Council with opportunities to refurbish St. Andrew’s House and naming opportunities. This was judged to be a possible activity for PECUSA to consider.

Russ has been approached about the Standing Commission on Health. GC passed a resolution to establish the commission but that was without funding. This was flagged for June. Asked what we would consider in that regard – whether or not it is something worthy of discussion. There is one commission that has asked to go forward without funding. Stacy has a related concern about another commission that was unfunded and he noted that there is a docket of un-funded resolutions. He said if we are going to consider them we should consider all of them. The list of un-funded mandates is in the back of the GC Budget.

In Atlanta a meeting will be held on March 25-27. EC would like to send three representatives as observers to Via Media and EC will post their observations on the confidential list-serve for discussion at the June meeting. Kwasi Thornell, Chair of National Concerns asked Russ to poll A&F to see if someone was available to attend the meeting. Russ will pass the names along to Kwasi.

The committee agreed to meet again after dinner and Russ recessed the session at 1:45.

A session was reconvened at 9:00 PM with Mordecai, Barnes, Vann, Sauls, Hershkowitz, Castillo, Palmore, Yumoto, Coburn, Duffy, Boyles, Kesselus, Anderson, Gossen, Hicks, Pollard, and Caparulo present, specifically to focus on A021.

Kurt explained the changed numbers in the assumptions regarding space and financing. He also discussed the ramifications of debt financing at various rates of interest and rental income assumptions with agencies paying rent based on \$25 per square foot and reduction in the total 815 square footage. He pointed out no changes were made to sales assumptions, relocation assumptions (moving costs have not changed), PB residence. Much discussion followed concerning the possible variables in calculating accurate projections. It was clear that A&F needs to understand the changes and ramifications of the re-planning.

Jerry Hames joined the meeting.

Eventually it was suggested that two resolutions result – one to cover finances and the other that addresses the expectations of the EC. Additional discussion about interest rates on loans, cash flow deficits, how the total value of the building would be affected by renovation, and stewardship of the asset.

During the conversation question arose about why Hudson Square was an issue. The chain of events leading up to the availability of that location was recounted. More discourse covered various angles about presenting the information in light of Hudson Square's existence, possibly leaving it out of a presentation to plenary, the necessity of making solid decisions about a 40 year-old wasting asset that continues to be a wasting asset if nothing is done. After discussing how a presentation might be accomplished, Russ aired his concern about the sense of urgency involved in making a decision to spend \$30 million. He identified it as a significant and complicated issue. Tom G added that if the presentation proceeds with the numbers as they appears now, it would need to be described as the rose-colored glasses approach. He added that the lease-up won't happen until the core and shell is complete - this is an up-side picture, not a down-side picture.

Tom's comments led to additional scrutiny of budget impacts. Kurt noted that the conservative approach which netted out an impact on the budget of \$18K.

The question was asked, "What is the imposed sense of urgency?" Pat said she thinks we should not have a sense of urgency if the project doesn't feel right, but she explained management's desire to retain the architect, project manager, and construction manager who are ready to go on the next phase. If we don't use them, we need either to pay them or they have to get other jobs. Another problem from management's point of view is that they don't want to have staff involved in construction when they need to be getting ready for the next GC and if the project isn't begun it will affect those pre-convention activities. The building has had deferred maintenance for 40 years already and the management team is trying to do something that will save the asset for the next 30 years.

Concern was raised about the way the presentation will be heard from the members of EC. The PB has not spoken to this issue and he needs to talk about it. If EC does not hear his support they are not likely to vote for it. It was suggested that the presentation be delayed until tomorrow with no vote required.

Tom G felt that ownership of the project should be shared beyond the EC, shared with the House of Bishops about what the proposal might look like. If this is a lightening rod for criticism there should be a wider sign-on.

Sensing that trying to make a decision would be unfair at this point, Russ suggested that A&F meet for worship tomorrow morning and reconvene the meeting to begin at 8:15. He recessed at 10:05 PM.

Russ reconvened a session at 8:20 AM on Thursday morning, February 12th with prayer. Discussion began with AF-014 (travel guidelines), which was **moved and seconded**. Discussion. Bonnie reported for the simple living small group, noting that in passing AF-4 in October, EC agreed to explore simpler ways

for meetings to be held. That would include CCABs. The small group has met and requests, in compliance with AF 4, that the guidelines be amended in *Special Note* to add in bold: Reimbursements for alcoholic beverages are not allowed. That would be in bold this time since it is a change. She requested that AF 4 be circulated with the travel guidelines when they are sent out to CCABs. This amendment was **moved and seconded**. Russ will present the guidelines in his report 'as amended.' The amendment **carried without opposition**. It was then **moved** to change the time for filing to 45 days (from 30) for filing expense reports. **Seconded** Discussion about what is an acceptable time frame. **Motion to amend carried by 8-3 vote**. It was then **moved** that *Special Note* be amended to remove the sentence "By action . . ." and begin the paragraph with "The following are not approved . . .". hearing no objection, the motion was **accepted. Main motion carried without opposition**.

AF-023 (SRI screens indexes) was taken up and Kurt was asked to explain the occasional use of index funds between equity managers and the consequences thereof. Discussion about screened funds was comprehensive, screened funds being those that do not include companies who are on the DFMS prohibited list. It was **moved** to amend in the first resolve, the 3rd line after "Investments in" add the word "screened" and after funds "for a limited period of time." **Seconded**. Much discussion about SRI followed. It was pointed out that our church has a history of taking a strong position on certain issues and we need to honor that. If this had not come from the Investment Committee and SRI Committee, can we defer to them? A&F's responsibility is to give them direction. The return on the investments is not the only consideration. Kurt said we can't direct a provider to screen only what we have voted. George said that the two committees agreed that short term it's okay in exceptional circumstances. The motion to amend **carried. The main motion carried with one opposing vote**.

It was moved and seconded to reconsider AF-012 (the budget). The disposition of \$200K in the budget that ERD would not be using was the primary issue. Funding for Peace & Justice ministries, particularly Jubilee Ministries, were at the center of hot debate at GC. ERD, Tom H. explained, received money from DFMS and of the historical funds GC agreed that \$200K would be used for domestic grants. The budget included \$150K for Jubilee for the triennium, so the \$200K represented an addition to the \$150K. The intent of GC was that the \$200K be designated for domestic grants, with the hope that some of it would be designated for Jubilee. Where the money should be removed and keep the budget in balance was debated. Kurt expressed his preference to see an outline that expresses the intent for spending the money, then a program manager could develop an idea, create a proposal, and double the appropriation 2005 and 2006 at \$300K. Many additional scenarios were aired. It was **moved to present a balanced budget and figure out the details** concerning the appropriations to Jubilee Ministries grants while honoring the intention of the GC. **Seconded. Motion carried with one opposition. Main motion carried without opposition**.

Russ returned to AF-021. A revised presentation of the proposed renovation was distributed which presented 3% and 4.5% interest levels and included Hudson Square. Yesterday's conversation was recapped.

George was on hand to recount his experience with the introduction of Hudson Square. Pat noted that, even with \$26 per square foot, the numbers still do not work favorably. It was stated that 3300 sq ft for the PB residence is not a current thing and various other discomforts were aired. More discussion covered what EC passed. EC approved \$750K in April and \$213 has been spent.

Stacy stated that, concerning the issue of where the Church Center belongs, we will never feel right about the decision until we know where we are trying to go. The leader needs to articulate where we are trying to go. He related the metaphor of drifting in a boat because we are lacking one necessary point for navigation – where we are trying to go?

At 9:40 the options were offered: pass AF-021, not pass AF-021, defer discussion further. **The question was called, seconded and carried.** A vote was taken in favor of AF-021 **and was defeated.** It will not be presented to EC.

It was moved and seconded that we authorize the elevator award with elevator construction to begin for \$550K and get a dollar amount for additional work and resolve in June whether further work would be approved. **Seconded.** Discussion followed with a recommendation to add the opportunity **to complete the design development and cost estimates** so the numbers are known going forward. Everyone felt a tremendous time crunch and concern about doing the right thing properly. It was **moved to reconvene** at lunch to flesh this out further.

The session was reconvened at 12:50 PM with the PB present at the requests of several committee members. Russ reviewed what the committee had discussed and questioned during the week concerning the phasing of the proposed renovation project and asked the PB to comment about it. The PB responded that he had no personal interest in it whatsoever, realizes it would be a profound disruption that he would just as soon not get into. He identified his interest as that pertaining to the appropriate stewardship of the asset and added that deferred maintenance has created a large problem. In addition, the PB is acutely aware of the PR issue, that no matter how the project might be financed or described, there is some difficulty saying we are rehabbing a building at a time when there is shrinkage in the income to the national church budget. He asked if there is a phased approach that would have a convincing argument to go along with it. Then he suggested that this may not be the meeting to embrace the grand expenditure. In June we may be in a better position to know the overall health of the church and may be prepared to make a good decision.

Bonnie offered a substitute amendment: Resolved that an A&F task force be created to work with staff until the June Executive Council meeting for the implementation of the resolves included herein; and be it further

Resolved, That the staff and task force will review and prepare ~~Phase II of the proposed renovation project which includes:~~

- Elevator award
- Design development set (100% complete)
- DD pricing (complete)
- Design development review
- Beginning of elevator construction;

And be it further

Resolved, That by the June Executive Council meeting the staff and task force will respond to further questions/clarifications and concerns provided to them by A&F in a timely manner; and be it further

Resolved, That up to \$400,000 in addition to the \$750,000 previously approved be allocated for the implementation of Phase II of the proposed renovation project.

This alternative was discussed and clarified. The PB was asked to articulate his approval to the EC. The PB said he could support the short list presented on Bonnie's resolution. The timing of a renovation was re-evaluated along with good stewardship involving a 40 year-old building. The PB found it difficult to see a building in highly missional terms, e.g., he could not relate it to 20/20.

Issues concerning deferred maintenance and urgency were raised again. Part of the staff's concern was to prevent chaos around preparations for the next GC and to finish so the new PB doesn't have to deal with the problem. If we haven't decided to renovate, remain, and lease, recognizing that the site is unique is that it is our 'home,' it becomes a different matter entirely.

Kurt stressed that the numbers can't be obtained without doing the design. Tom G. spoke to the good sense of completing the design since the design development documents will allow the engineers to decide where the systems might run (on a schematic basis) and provide more informed cost estimates. He then **offered a substitute for the second resolve**, which was re-crafted within the group to read:

II –Resolved, that the staff and task force proceed with the following:

- Award elevator replacement contract
- Complete design development design documents
- Complete design development cost estimates
- Review all design development work products
- Refine financial projections

A&F then could say in good conscience that we are pursuing exploring the renovation of 815 Second Avenue with a task force that will take a closer look at future work. The committee agreeing, this became AF-26 (attached).

In an effort to address all agenda items, the committee agreed that it did not need an executive committee of A&F and that the norms distributed on the first day (attached) did not need to be formally adopted, since the group seemed to be using them already.

On June's agenda will be:

Development officer

Planned giving

Residency requirements for employees

Adjourned by common agreement at 2:05 for final crafting of AF-026.

Respectfully submitted,

Nancy Caparulo

Staff support to the Committee

Attached herewith: AF-26, norms for the committee

Attachments to the permanent files and Archives copies: financial picture for renovation project, analysis of the GTS project, analysis of the lay pension providers

AF-026

To: Executive Council
From: Administration and Finance Committee
Date: February 12, 2004
Subject: Stewardship of our building asset at 815 Second Avenue

Resolved, That the Executive Council Committee on A&F create a task force to work with staff until the June Executive Council meeting for the implementation of the resolves included herein; and be it further

Resolved, That the staff and task force proceed with the following:

- Award elevator replacement contract.
- Complete design development architectural and engineering documents for potential renovation
- Complete design development cost estimates
- Review all design development work products and refine financial projections

; and be it further

Resolved, That by the June Executive Council meeting the staff and task force will respond to further questions/clarifications and concerns provided to them by A&F in a timely manner; and be it further

Resolved, That up to \$400,000 in addition to the \$750,000 previously approved be allocated to implement this resolution.

MEMORANDUM

TO: Members of A & F Committee
FROM: Russ Palmore
RE: Committee "Norms"
DATE: February 7, 2004

Bonnie Anderson and I served as co-chairs of a subcommittee comprised of the two of us. Without comparing notes, each of us compiled a list of possible Norms for our work on A&F. The lists are as follows, without attribution:

- Confidentiality and expectation of the integrity and trust of the group
- Framed by worship/prayer
- Begin meetings with "check-in"
- End meetings with review of work and decisions
- Openness, honesty and directness in our interactions
- Agreement on what can be made public information
- When conflict arises we will seek to leave positions and step back to try to see the interest behind the position
- Decisions are made by consensus, i.e., all have been heard, but not necessarily agree; and
- Have fun.
- Meeting Procedures – start and end on time
- Be aware of topic and address comments to the topic at hand
- Each person be aware of amount of own "air time" use (how long, how often)
- Use first names
- Indicate when discussions are confidential
- During complicated discussions, chair with assistance of vice chair to keep ordered list of those wishing to speak
- While we are aware that most, if not all of us, have special ministry interests, it may be necessary to set aside personal wants and agendas to focus on the larger picture
- Closed session at the end of each meeting (?)