

THE STANDING COMMITTEE ON ADMINISTRATION AND FINANCE

Boise, Idaho
November 1-4, 2004

Minutes of the Meeting

Present were: Ann Coburn, Mark Duffy, Jim Boyles (Canadian partner), Josephine Hicks, Ken Kesselus, Tony Jewiss, George Werner, Jerry Hames, Diane Pollard, Tim Vann, Ted Yumoto, Pan Adams (PB&F chair), Stacy Sauls, Bonnie Anderson, Tom Gossen, Pat Mordecai, Kurt Barnes, Steve Didimamoff, Assistant Controller, and Nancy Caparulo.

Josephine Hicks, Vice Chair, brought the meeting to order at 3:05 PM MST, the Chair having been delayed en route.

The agenda was reviewed and accepted after a number of additions were made.

The minutes from both the Burlington meeting and September's conference call were reviewed. It was **MOVED, SECONDED and CARRIED** without opposition to accept both as presented.

Kurt summarized the budget year to date. Expenditures are in line or slightly below the amount budgeted and revenues are close to budget. Diocesan receipts are running about as they were last year (66% vs 67% in 2003) with no increase in the accrual. Diocesan commitments are slightly higher than anticipated in the budget.

A quick review of diocesan commitments for 2004 was undertaken. Kurt introduced Steve Didimamoff, Assistant Controller, whose duties in the Controller's office have been expanded in Tom H's absence to cover the monthly financial reporting.

The Audit Committee members, Ann and Josephine, reported the items discussed at their last meeting. A resolution is needed to appoint Grant Thornton as the firm to do the 2004 audit.

Bonnie reported for the Investment Committee, reviewing the credentials for the new additions to the committee and one returning member. AF-049, to approve these additions and the returnee, was **MOVED, SECONDED and CARRIED** without opposition.

Kurt discussed investment performance. It has been a difficult third quarter/year. The Endowment return has been slightly under 1% return for the first 3 quarters; the market recovered somewhat at this point so that we are at 2% return in line with the market. Kurt briefly discussed the disposition of our Bank of New York line of credit.

The DFMS Credit Card Policy was reviewed. The procedure is similar to that discussed at A&F in June, when a concern was that employees would be out of pocket or acting as creditors to the organization. This issue has been discussed with all current card holders and the understanding reached that check reimbursements could be made within one week after the Controller's Office

receives properly approved and documented expense reports. **AF-030a was moved, seconded and carried without opposition.**

Stacy gave an update about the Mission Funding Task Force responding to General Convention (GC) B004. **AF-042 was moved.** The name was changed to *Budgetary* Funding to avoid confusion with another mission funding group. B004 was not listed as an unfunded resolution. EC passed a resolution that this task force should be appointed and get to work. Question and discussion arose about whether or not there is funding and whether or not unfunded resolutions having a voice on EC would have priority. Stacy hopes to have all in place to report in the Blue Book asking for a fuller examination in the next triennium. It was agreed that funds are in the budget. It was **moved and seconded to attach B004 to AF-042. Carried.** The process was discussed. Bonnie called the question and **the vote carried without opposition.** A small group will meet to talk about this and report back (Bonnie, Pan and other volunteers).

Kurt discussed appointment of a custodian for the Lay Pension Plan for DFMS staff. The administrator, Diversified Investment Advisors, has requested that Investor's Bank and Trust in Boston, be appointed. **AF-043 was moved, seconded and carried without opposition.** It was placed on Consent Calendar.

AF-053 to appoint Grant Thornton as independent auditors for FY 2004 was **moved, seconded and carried without opposition.**

Kurt explained AF-044 and the \$58K penalty for moving the lay pension plan from Principal to DIA. A \$3.5 million surplus was put into a board-designated fund from which Kurt recommended payment of the penalty. Those funds are pension related assets. **It was moved, seconded and carried without opposition to approve AF-044** and put it on consent calendar.

Ann reported about the work her small group did on un-funded resolutions from GC. A problem was identified that the resolutions that were passed in the budget did not all find their way to EC. It was noticed that if that resolution has a voice on EC or a way into EC, it might get funded. The need was seen for a policy to avoid favoritism. The group realized that the charge was narrow in that it did not include EC-generated issues, and that also needs to be addressed. At the end of GC PB&F puts together a letter that goes to A&F about what was decided at GC with recommendations for A&F consideration. The request is that the 'management letter' address the resolutions in a very intentional way, that it share the PB&F struggle over the issues and how they relate to the budget priorities with annotated responses so that when the issues come to EC, there is documentation. **AF-045 was moved and seconded.** Discussion covered the nature of "surplus" income, which is a triennial concept not an annual result, because the GC budget is constructed for a three-year period; that a surplus is not produced on an annual basis; triennial surplus does not carry over to the subsequent triennium; definition of surplus; use of non-governmental revenue to meet unfunded resolutions. Timing differences on the expense side are sometimes shifted from one year to the next. The budgeting process is also an evaluation of the specific year in which an expenditure or revenue item is expected to occur.

Russ suggested referring this back to the small group to come back in February 2005 with a resolution addressing un-funded issues as well as budgetary surplus. He also suggested that

consideration be given to putting something in the By-Laws of EC so that there would be a discreet and clear policy about these areas. It was **moved and seconded to refer back to small group**. Discussion. Ann would like to have clearer information about where the funding comes from. Diane suggested a rule saying that, after the budget is passed with certain resolutions in and others not, that all resolutions start out on an equal footing. If they come to EC they must come via a new resolution. **The vote to return to committee carried without opposition.** Russ suggested adding Pan to that small group.

Kurt explained both AF-046 and AF-047 (clergy housing and PB housing respectively, both done annually). Each was **moved, seconded and carried without opposition**

AF048, establishing Trust Fund #1003, was **moved, seconded and carried without opposition.**

Kurt reviewed the work in process for grants accountability and his report on the various items. All grants-receiving organizations are being closely monitored by appropriate staff members. Recommended dollar amounts will appear in the budget. Bonnie asked about a plan to meet the EC mandate not to fund the entities that do not report. Pat's understanding was that there will be a recommendation to not fund if the reports are not in. Discussion covered the layers of policy and procedure within the system, i.e. there are procedural issues on one hand and there are issues of following up on a "threat." Kurt noted that letters went out from Rosemari's office near September asking the staff who deal with grants-recipients to follow up. The same was done concerning diocesan reports. Kurt asked everyone to make sure that all reports be re-directed to his office. Stacy wondered why the conversation was occurring when EC doesn't act on its previous resolution, observing the discussion may be out of order. Russ expressed surprise that there have been so few responses. A second letter did go out. Ann observed that they need to be followed up with a phone call and Bonnie suggested that staff take the responsibility to let EC know that there is a relational issue being taken care of.

Mark observed that for 20 years a staff person was dedicated to the care of these relationships. Documentation is profoundly rich in this area. The downsizings in the 90s discontinued this work and there was no thought given to the mechanism that needs to be in place to do it properly.

Interim Controller Search. Kurt retained NESC to identify and present potential interim controllers. A candidate was interviewed last week and Kurt expects to see another couple of candidates after EC is over. Any appointment would be for a minimum of six months.

Bonnie visited Tom at his home and said he is doing really well. Discussion focused on next steps. Kurt said Arlissa Dean and Sheila Golden have begun to pass around the blank budget sheets and ask the staff to fill in the budget line items for 2005 and 2006, requesting significant changes in 2004 and what might be foreseen in 2005 and '06. The interim controller would be responsible for getting the budget done. The work papers from last year have been located and have been very helpful.

Kurt reported on Episcopal Church Foundation (ECF) loan negotiations. Church Pension Group (CPG) and DFMS are working in tandem. ECF has been asked repeatedly for a business plan and questioned how they want to draw, use and repay the money. ECF wants a grant and are

displeased that Kurt didn't agree that DFMS would make a loan below the cost of our funds. They made a proposal, expecting the EC to subsidize the loan by lending at below 4.7%. Kurt explained that DFMS makes loans to ECBF at 5%, which they use for their own lending to others. Other diocesan loans are between 5% and 8%. The only loans made below 4% are economic justice loans at 2.5%. There are several significant possible pending retirements in 2005, which would substantially change any arrangements DFMS might make. Russ recalled that AF-033 empowered staff to negotiate satisfactory terms with ECF and offered to be helpful in carrying the work forward. He suggested having a conference call with the group in order to bring something back to EC in February 2005.

Pat addressed the in-house renovation report that had been provided to the committee, saying that it is not the detailed report that she would otherwise have given A&F. She expressed her gratitude at the cooperation within the building about the physical move. Project management bids have gone out for early buy items. The asbestos contractor is in place. The architects have submitted the bids. 100% of the construction documents will be in place by early November. Construction manager will write contracts with contractors. DFMS project manager and architect will be named insured by each subcontractor. Tried to place insurance with the Church Insurance Group but they couldn't meet the needs so risk insurance is in place with another supplier. Monthly financial reporting by the project manager is planned and DFMS will keep a parallel account. Expenses for managers is \$800K to date and is in line with the budget. The elevator work is completed on two, except the flooring, and has cost \$477K to date. When the 3rd elevator is done, one will be off line for the renovation. The freight elevator work is on hold until the basements are emptied. The change order process is that Lear Construction will submit change orders to the project manager and architect before coming to DFMS for review and approval. Diane asked about the office climate. Pat said there were two sessions offered to staff with the asbestos people to learn about the implications. They thought the entire staff would come but they didn't. There has been some mumbling about the size of the work stations and space but the greater problem is the accumulation of paper over time and how to get rid of it.

The session was recessed at 6:00 PM and reconvened November 2nd at 9:45 AM with the subject of cost-sharing at the church center. Present at this session were Gerry Blackburn, Janine Tinsley-Roe, the PB, Art Williams, Jerry Hames, Tony Jewiss, Mark Duffy, and Jim Lemler. Josephine reviewed the gathering of information from agencies at the church center and how struck the task force was by the interconnected nature of the agencies and the fact that they cover areas different from those met by the church center staff. She noted that a major rationale about building 815 was that all agencies *would* be under one roof. The task group concluded 1) we're all in this together, 2) agencies are performing important work for DFMS, 3) the money we'd get by charging them rent would not significantly help the financial picture but would have significant negative consequences. Acknowledging that Bonnie had raised questions that the task group had not handled, Josephine **moved AF-050** (in which no additional costs would be charged beyond what is currently charged but noting in the annual budgets the value of the contributed services the agencies receive). **Seconded**. A new agency would be charged rent.

Following Josephine's presentation discussion emphasized the value of the programs provided by the agencies. Bonnie mentioned the memo she'd sent to A&F and **moved to table discussion to a time certain in order to provide copies of the memo to everyone**. **Second and carried**.

AF-051 regarding investment portfolio restrictions was moved and seconded. Bonnie spoke to the resolution. As an Investment Committee (IC) member, Bonnie worked with SRI Committee on this matter. She had noted in IC meetings that SRI guidelines were being interpreted very strictly and became concerned that the interpretations possibly were inhibiting income investments (used for mission funding). Kurt, Julie and Bonnie worked together to facilitate the conversation between IC and SRI committees. AF-051 is draft #6 approved unanimously by both committees and makes new opportunities for investing that were not previously allowed. This means potentially increased revenues and staying within the SRI guidelines. Becky Snow on EC's NAT Committee has been involved and will present the resolution to NAT. When both committees have commented, the resolution can be perfected. It was **moved that a small group do this work. Seconded.** Discussion: recall of the presentation made at the last meeting by Tony Minopoli. **Amendment suggested and accepted:** change the dates on the first line of the 1st resolve. Russ asked that Bonnie and Kurt be the small group and that comments be made to them. **Main motion carried without opposition.** Bonnie and Kurt will work on that task.

AF-052 (TF 809 for Theological Education) was moved and seconded. A&F needs to approve disbursements of these funds as recommended. What's the relationship between the funds that were disbursed and A&F's fiduciary responsibility? These are not budgetary funds but they are overseen by Anglican and Global Relations. It was noted that no person from the finance offices oversees these expenditures. It was suggested that we defer passing this until Pat Mauney can explain further. **Motion was withdrawn.**

Arthur Williams introduced Janine Tinsley-Roe, Missioner for Indigenous Ministries.

The discussion was then directed to AF-050, which had been removed from the table earlier. Bonnie commented that task force work concluded that the agencies should not pay rent as they are part of us. Agreeing for all the reasons the task force cited, Bonnie expressed her concern about the discrepancy in the cost to us if they do not pay rent. The average annual impact will be \$424,775 over 30 years but what is it really going to cost? We should know that so that we proceed with eyes wide open. The other issue she pointed out is the intentionality of mission. We don't have the money to fund all the things we want to do but we do have a responsibility to affiliated groups. She asked if we are obliged to offer the same support to other groups. If so, who are the groups? Do we continue with the benefits to the organizations already housed at 815 because they're doing great ministry and were there first? Are there other affiliates who could benefit from rent-free housing? This is a new age in terms of our mission and ministry. Are there other groups we would like to support? Bonnie suggested exploring the possibilities in a very directed and challenging way and not to approach the question as business as usual.

Tom Gossen said his group, TENS (The Episcopal Network for Stewardship), has no interest in relocating to NYC. He respects and supports the historical affiliation of the agencies housed at 815 but also sees a connection with the open question of why we aren't providing some means of support to other affiliated agencies.

Kurt outlined some cost analysis discrepancies, using the memo from September's conference call. It costs \$180K to house the agencies (all other than ERD) in 2004. A calculation of that cost after renovation, based on square footage, is \$150K. They will occupy smaller spaces and the costs of operation will decline via energy and cleaning cost savings. In June, when the Renovation Task Force presented numbers showing the detail of the renovation cash flow analysis, the cost of borrowing \$31 million and paying it back at 4.75% was given. One scenario assumed the agencies pay at \$25/sqft and yielded a number for each year. Over 30 years of pay back the rent was increased from 3rd parties and from the agencies (without ERD). Calculations showed a net impact each year on the DFMS budget. They looked at the impact on the DFMS budget, increased each year such that over 30 years the annual \$424K impact on the budget resulted from doing the project with debt financing and not receiving any cost sharing or rent from the agencies. With inflation over 30 years it might escalate at 3% per year. If we calculated that inflationary impact and the average annual impact, it might be an impact over 30 years of \$225 or \$250K. In addition, when the analysis was done with the task force, they looked at 10,400 sqft being used by the agencies. Over the summer changes in the square footages required analysis using 8,500 sqft. With the use of less space there will be more footage available to 3rd parties at market rate rent.

Stacy suggested that the effect on the budget is more than \$425K because of what it costs us not to rent to third parties (the opportunity cost). By not charging agencies rent, we have an effect on mission in excess of \$425K per year. He expressed the real problem as the line of thinking we are pursuing is an old way of thinking, that we may be shutting down new ways of thinking. He mused that maybe the thing to do in 2004 is decentralize, postulating that the agencies would have a more profound effect on mission if they were housed on the grounds where mission is carried out. Wouldn't their sense of mission be enhanced that way? If the agencies paid a tiny rent to a church with space close to the mission focus, wouldn't that benefit mission at that place? The real question is whether the cost-sharing decision inhibits or enhances the way we do mission overall. That we've done it this way over 42 years is not a good reason to continue.

Diane asked for clarification of charges and costs. When we say "rents" do we include phone and HVAC? Kurt replied that it is all considered. This year's agency agreements provide that they are charged for phone, mail service and computers.

George agreed that new thinking is important, that consideration should be given to the relationships of the agencies, the connections, and plans for the future. He added that we are at the moment of opportunity and challenge regarding mission. There are possibilities of doing serious mission funding outside the budget and a mission funding group has been talking about other strategies for funding via a carefully thought out, strategic plan to move forward. He described components of the issue – what is the relationship, the accountability and commitment the agencies will make to us in exchange for their rent? In thinking new we need to present a front that includes 815 agencies and others that are now perceived as autonomous. How can we relate widely that we are serious about mission and that we are, in fact, doing it?

The PB said he heard Bonnie asking for a broader question about other entities that claim relationship and stated that we are at a very odd time in the church in its relationship to the world and within its own ranks. He is concerned about negative potentialities with requiring the

agencies to participate more towards their costs. Some are more useful at 815 because they are accessible. Some agencies are able to effect greater relationship and work with DFMS than others. He proposes continuing to house the agencies, monitor them, and see how they might change. Some [outside but related] agencies have unique perspectives on the life and work of the church and might cause confusion if they are housed at the church center.

Josephine would hate to impose an A&F decision on the agencies. Pat said that Jim Lemler, Director of Mission, in a meeting with the program directors did an exercise with them to see what the interrelationships are – what are the initiatives, who are they attached to? Everyone in the room was amazed because the list was so long and there were so many things going on from day to day. If they were not centralized it would be more difficult to have the daily relationship.

It was **moved and seconded** to substitute the third Resolve with a fourth one, “RESOLVED: That an A&F task force be established to explore options and possibilities for offering support in the form of in-kind services, office space or other forms of support to be determined to other [all] agencies related to the mission and ministry of the Episcopal Church.” Discussion. It was noted that the resolve did not state “at the church center.” Those at 815 are beneficiaries of monetary support in other forms.

PB assumed the task force would establish the eligibility of an outside agency. Ken suggested that it might have included prioritizing the importance of an agency to the mission of the church and asked if consideration could be broadened to create a wider range.

In the interest of concluding the discussion, Frank Oberly was asked to return at another time.

Diane expressed her misgivings about talking about the wide universe of groups and the pitfalls in going through a list. Josephine agreed that prioritizing the importance of a specific group to the rest of the church was not a good idea. Steve questioned the broad nature of the amendment.

Bonnie suggested that creating a list of agencies is a discussion that begins the work of a task force. The substitute is worded to be broad enough so the task force, with input from A&F, can move in an intentional manner. They can say the scope is too big. To cut it off is a missed opportunity to look at new ways of being the church.

Stacy felt this is such a good idea, he asked why we don't apply the criteria to the existing agencies instead of grandfathering those in. He suggested replacing the first, second and third resolves with the proposed 4th resolve.

Jim Lemler and Anthony Guillen were present at this session of the meeting.

Moved the amendment to the replacement. **Seconded.** Discussion followed. The PB foresaw a mess with the agencies. Ann was certain such activity will be misinterpreted and will require the PB and staff to put out fires almost immediately. While the idea is to take a long-term look at the situation, the short-term effect will be negative and Ann didn't see how she could support that. She did support what Bonnie is aiming at – it has a lot to do with relationships and these relationships are bigger than the 815 building. Josephine noted that there is already considerable

anxiety within the agencies that are there. **The question was called on Stacy's amendment. Seconded. Carried.**

As to the question on the amendment to the substitute, **the vote defeated the motion**. Attention was turned to Bonnie's substitute to the resolve. After additional discussion, Josephine suggested that we pass this the way it is and if there is to be a task force, let it be a separate issue. **Bonnie withdrew her motion to substitute the 4th resolve** and AF-050 was discussed again as presented in its original form until Diane called the question. **Motion carried with one opposition**

Tom Gossen asked to speak on CIM-014, which deals with the issue of a comprehensive plan to seek new mission funds. Most often we talk about spending money. This is an opportunity to talk about raising new money, encouraging and nurturing new money. There is no program in place at 815 for fund-raising and Episcopalians are not being challenged to make a difference in the world with their money. The Task Force has met once; their work is not done. The \$60K they ask for includes a part-time consultant and to carry the work forward to identify major donors and nurture potential gifts with the PB's assistance. John Vanderstar and Pan Adams serve on this task force.

Tim said that this is a watershed national program to use as a prototype. It percolates through everything. CIM has passed 014. John Vanderstar, who was present, added that this is not intended as a conventional capital campaign. It is creating an entirely new concept to develop relationship with persons of wealth and mission (eg Bill Gates). Dan Caballero, also present, added that it is educational. They are talking about minimum gifts of \$1 million from those of means who are also visionary.

Jim Lemler observed a wonderful convergence of the prior conversation with this one and stated that this effort is very significant in the life of the church right now. There is real change in the way that Americans are giving – especially with folks having unusual resources. This is an opportunity of joining mission with stewardship.

Kurt asked if it would be expanded to include individuals with foundations, like Susan Beresford, President of The Ford Foundation, etc.

Noting that the work is long overdue, Ann recalled the last time we talked about mission on a grand scale was with Venture In Mission (VIM). Even though big gifts are sought, what gets lived out is effected on parish and diocesan levels. She hopes that this task force and what follows it will look at how the money would be used in significant ways. She inquired where the \$60K would come from in the 2005 budget, remembering that it was not included in the GC budget but was an unfunded resolution given priority in the budget document. She added that A&F needs to be clear about how we are funding unfunded resolutions.

Ken said it was not a response to an unfunded GC resolution and that we have been talking about it for a couple of meetings.

Diane, who was completely in favor of funding the task force, suggested that A&F say where the money is coming from at this meeting. We need to do this and we need to find a place in the budget.

Pat said there was a resolution. This task force was discussed in the last triennium and \$200K was allocated to begin the initiative but it never got off the ground. The funds were not spent when they were originally supposed to be and so they were put in short term reserves.

Diane observed that it didn't make it into this triennium's budget.

Kurt offered that the consultant fee could be a one-time expense funded through extra-budgetary short-term reserves and it was suggested that an addition be made to the resolution after the final resolve, "to be taken from net short term reserves."

Bonnie was concerned that this might open up the pot of "short term reserves" that could be viewed as a supplemental source of income. Kurt was more comfortable saying, "up to \$60K be expended in 2005." After additional discussion about how to frame it, the committee decided it was not in a position today to say where the funds are going to come from, so we would approve the funding now but say where it's coming from at February '05 meeting when more is known.

It was moved: A&F requests that CIM do an amendment with the 4th resolve ending with \$60,000. **Seconded.** Discussion included A&F's support CIM-014 and the \$60K request but we are not in a position to confirm how it will be funded at this time. It was recommended that the resolution be presented with the amendment with an addition in the explanation saying that A&F has reviewed and made recommendations about funding. **Motion carried without opposition.**

It was agreed that A&F would reconvene at 1:30 to hear from Janine Tinsley Rowe, Frank Oberly, and Bishop Williams about indigenous ministries.

Anthony Guillen and Dan Caballero are on the translation advisory task force approved at Burlington. A&F directed \$85K to be made available for translations. Anthony understood from Bob Williams, Interim Communications Director, that there is \$85K in the communications budget for translation, which they didn't know before. He said, if that is the case, he apologizes for the last meeting's resolution for funding.

Pat clarified the line item of \$85K known as interpretation that has been used for a variety of purposes in the past. It is not specific to translation but it fits and the money is available.

Anthony said A082 and C029 from GC requested \$85K for translation.

Diane said when committees need translations, they are told that the expense has to come out of the committee budget. If we have established pools of reserves and they have not been used, this is not a good thing. There is some money in the GCO, communications and another place where there is "partial funding in the budget" for the purpose.

Anthony clarified that he was attending A&F concerning the \$85K requested for a Coordinator of Translation Services. The task force met and drew up a job description that will go to INC, then will come to the floor as a report and resolution to create a position. At GC \$85K per year was requested and none of those funds have been used. The task force believes that \$85K will just about cover a salary and that funds should be used that were not used in 2004.

In June the resolution called for \$85 per year of the triennium for translation. Kurt asked if the funds were to cover the activity of translation or a staff person.

It was agreed that the topic would be picked up the following morning during the Bible study time slot and the session was recessed at noon.

Russ reconvened a session at 1:40 PM announcing that Pat Mauney would be available at 9:30 to speak about Theological Education.

Janine Tinsley-Roe began the session with her report on indigenous ministries and Remembrance, Recognition and Reconciliation. Her primary focus was that indigenous people are spiritual people and willing to support the church but there has never been a means to do that. They are missing the tools to function within the two cultures, which is a stumbling block to leadership. Initiatives need to be put in place as soon as possible. The native peoples are waiting for the opportunity to lead, not just through lay leadership but in the deaconate and ordination and they are asking for help.

Frank Oberly was present to support having Janine at the church center to oversee these ministries. They had begun in 1997 and got off to a good start but have been on hold for lack of a Native American missionary.

A number of questions were aired. Tim said the work appears to require more than \$250,000 that has been discussed in the past and asked if it is a response to CIM.

Kurt asked if these were programs expanded from those that already exist and noted that \$158K is available each year. He asked further if some of the \$1 million voted for youth activities is being directed to Native American Youth. He identified from the block grants items in the budget \$1.4 million in each year that go to North Dakota, South Dakota, Navajoland, Alaska – ministries among indigenous peoples. There was a grant given (\$1.5 million) to the 4 dioceses having a large native population that is reduced now to \$1.3 million. Frank Oberly responded that there are priests in Alaska who go to preach on Sundays via snowshoe and cover 3 to 4 locations. They have to fly in tiny planes to do their work. He explained what programs are ongoing and what needs to be done to bring funding back to 1995 levels. The programs Janine outlined are part of the decade of the 3 Rs (see above). They are asking for \$150,000 per year over the triennium. Arthur Williams highlighted that in the midst of the 20/20 proposal many statements have been made about the necessity of growing the church by reaching people who are not normally a part of the church.

George recalled his visit to Alaska and the difficulties specific to the population there. Tim spoke about his connection with the native populations in South Dakota and expressed his

feeling about being caught in the middle emotionally between the enormity of the need and the problem with unfunded mandates.

Janine asked for A&F's consideration in understanding the commitment and love that the native peoples have for the church and asked that they not be put off any longer. She added that it would be good policy to give back. Winter is coming to many of the places where native peoples will be dying and their only support system is the Episcopal Church.

Russ recessed the meeting at 2: 15 PM with agreement that we would reconvene at 8:15 in the morning.

At 8:28 AM Wednesday the meeting was reconvened with prayer. Remaining agenda items were reviewed as were all resolutions approved thus far.

Diane explained the request for increased funding that she had made by letter to A&F as chair of the Joint Standing Committee for the Nomination of a Presiding Bishop (JSCNPB). In the normal course of the GCO's role a letter was sent saying that unused money from 2004 couldn't be carried over into the next year. The nominating committee asked to have the funds carried over because two meetings are scheduled in 2005. The \$35K additional approved in Burlington will cover the added meeting. The committee discussed the request and the carry over of funds from year to year. A review of the expenses from the last nominating committee revealed that they spent \$150K and that the additional \$35K request was in line with that. A process question arose regarding the means to ascertain a realistic figure for this committee in the future and achieve due diligence around budgeting. It was suggested that since we budget over 9 years, a reserve be established so the money is available when it is needed. **Motion was made to increase the allocated budget item for PB Nominating Committee by an additional \$35K for the triennium. Seconded.** Discussion followed about where the funds come from and when/how they will be expended over the next two years. Kurt said it would be part of the budget for 2005 that would be approved in February next year.

AF-054 will read: Resolved, that the A&F committee recommends the approval of an additional \$35,000 to be added to the budget line of the Joint Nominating Committee for the Election of a Presiding Bishop. This amount represents additional costs for a one-day meeting anticipated in 2005. **Motion carried without opposition.**

The committee revisited the presentation made about translations on the prior day. INC-028, adopted in Burlington, called for \$85K per year of the triennium for translations. This was discussed during the conference call with Kurt affirming that the funding would be found in the existing budget. Clarification around the issue was desired and Ted was asked to describe the task force's understanding of the source of the money. He said it is identified in the budget and there is a similar line item in the communications budget that confused the committee's understanding. The presentation to A&F was redundant since the funds are already there. Ted referred to the 'iceberg' concept of seeing the future of translations for the church. The task force considered it an issue that will get ever larger and will be foremost on many minds. He will advise Anthony Guillen that funding has been approved.

Jim Lemler then talked about the application for moneys from the Constable Fund, which was created by Ms. Constable for use in religious education not otherwise funded in the budget. There is significant unexpended interest in that fund (roughly \$865K). Jim said the mission directors are trying to fund creative and special projects and accomplishing them in a responsible and scientific way. He is approaching this from a philanthropic perspective and asks that the distributions be made annually. There will be initial reporting at the February EC meeting and a yearly report of proposals in June. While he would use the funds to move education and mission forward, the requests will not use all the amassed income. All applications were received and approved. Jim described the proposals, one from AGR reflecting the desire to build on companions for peace and link global mission with the learning happening in congregations.

When George mentioned the improved vigor at the church center resulting from the five program heads meeting to design the proposals, Jim assured that there would be greater collaboration in the various mission areas going forward.

Another proposal from EMM concerned diocesan diaries, a visualization of faith formation with refugees that will produce educational resources. Our migration ministries is very effective in welcoming immigrants from all over the world. Most of their funding is governmental but none can be used for educational purposes. Their proposal is to find compelling stories and individuals in local congregations and dioceses for use in preparing resources to be used across the church.

A third proposal concerns a middle east study delegation and support for a journey of learning and visibility in Israel and Palestine specifically for understanding the impact on US policy in that region. That research will seek to understand more deeply the spirituality in that region. Jim said that several ecumenical partners are preparing to do the work together.

Finally, Jim described a proposal for strengthening theological education, lifelong learning and Christian education in the ECC. The focus and desire of this proposal is to give in-depth consideration, conversation, and strategy relating to mission in the life of the Episcopal Church. The basic premise is that education and formation are part of the life of all of the baptized and that we are at a moment where this is very important. It will focus on adult education and will look at what theological education looks like in the church's seminaries. This is a 5-year proposal and crosses triennia but is one grant made in one year. The need for comprehensive work and time frame precludes the possibility of reporting to the 75th GC.

George sited this proposal as a classic example of cooperation and described it as a big step – lifelong Christian transformation - that was enthusiastically supported in the House of Deputies.

Diane was happy to see something that looks like a plan and said in many ways it represents the first thinking outside the box that has come before the church in a very long time. She congratulated Jim for producing something that has been reasoned through. Tom G asked about the 12-member strategy team appointed by the presiding officers. Jim explained that they were the people who were assembled to do the reflection and proposal and they represent all areas. He went on to say that classical theological education has had a closed box, which is a problem we have had in nurturing generosity throughout the church. They see an opportunity to get faith and money into the box together.

Bonnie raised questions about the process a group might use to gain access and how the information is conveyed to the church. Jim said he'd appreciate any ideas anyone would care to give him about that. He sees the importance of an awareness of the possibilities of the Fund as a means of constructive coherence within the ECC and CCABs and work that is happening in dioceses and congregations throughout the church. There is a need to find a way to announce that and report what work is being done. Much discussion followed about applications process, A&F receiving them from CIM and procedural changes. Tim commented that the funds give staff flexibility to use them for the church's benefit but it also appears to be a secret money fund that no one knows about. Russ suggested getting some materials about the Constable Fund, the documents that created it and assess them. Tim believed we should promote this as a blessing for the church and as a fund-raising opportunity by removing the hidden-ness of the fund.

AF-052 was the next topic Theological Education Fund (TF 809) undertaken. Pat Mauney and Wilfredo Ramos-Orench were present to review the history of this annual request for funding from Trust Fund 809. The fund was established in 1975 with proceeds from the sale of a seminary in Puerto Rico to benefit theological education in the Caribbean and Latin America. PB appointed a commission to receive grants applications that meets once a year for decision-making. Recommendations are forwarded to EC for endorsement. Juan Marquez is currently the staff member working in this area and Wilfredo has been on the commission since last year. The scope of dioceses it serves includes Mexico and Brazil as well as Caribbean. AF-052 is the result of the commission's deliberations. One thing emerging is the possibility of creating a regional center to promote collaboration within it. They are aiming for a conversation between what is happening here and what is happening in Latin America so that there is cross fertilization between the two areas.

Ann inquired about the reporting processes in place. Wilfredo described an evaluation component where, at the end of the year, a report is required. There is an executive secretary who receives the materials for review. George Potter in Costa Rica does that. Before any grant is allocated, reports must be received from all recipients. Tim stated that this is really important for Province IX and should be in our news vehicles in the church so that people know about it. Kurt said a couple of ideas in process include talking with the communications office about designing a standing box on the AGR web site that illustrates where the grants go.

Noting an overlap between other block grants and these, Bonnie asked if AGR might encourage accountability from four dioceses that have not reported on their block grants. Pat Mauney said all except one were received last year and that diocese has not received their money for 2004. It was **moved, seconded and carried without opposition to approve AF052.**

Bob Royce was introduced to discuss the Episcopal Church Building Fund (ECBF). Bob's group asked Russ's permission to present a draft proposal to A&F which outlines what they would like to do before a proposal goes to the whole council. ECBF's board did some strategic planning to look at where the church is, what the ministry of ECBF is and how it fits. Their focus is to help the church to build. They provide loans and consultations and work with dioceses to create loan packages. Congregational development is part of every loan package because they have learned only healthy congregations pay loans back. After GC and the energy

around 20/20 was made clear, ECBF looked at their area of narrow expertise with an eye toward furthering their work. They believe the historic goal is still the mission and they looked at increasing lending limits. The current cap of \$350K can't be helpful with larger projects and ECBF can't do as much as they would like. Interest rates must be competitive while protecting the capital base simultaneously.

Kirk Hadaway, researcher in the GCO, did a study to look at mission imperatives and what kinds of resources existed in the church for land acquisition – planning for future planting. Across all dioceses more than \$110 million exists for loans within the dioceses but at one time there is seldom more than \$60 million out. The greatest need is in newer dioceses, which have no financial foundation. Given ECBF's expertise, trust level, credibility, and long history of working diocese to diocese they are able to work within the dioceses to broker the collective resources and lend at a lower rate to a diocese trying to grow. The money is already there and isn't being used. They think dioceses would be willing to participate, especially with greater diocesan and congregational consultations that are ongoing for decision-making.

What ECBF would like to do is talk about increased loan limits, greater consultations, reducing the rates to meet congregational ministry and 20/20. All outstanding loans dormant for 10 years have been taken on by ECBF. Everyone is scrambling for income streams and funding, UTO created a \$1million fund for loans to congregations and dioceses granted to DFMS under EC as a designated fund. Kurt said that Building Fund loans were reported in the trust fund book until 1997 but it has never been established as a funded trust because it was a program of the Executive Council budget. There was a China Fund dating to the 1950s to provide overseas resources for building the church. When the communists took over the funds were redirected for domestic purposes. There is a total of between \$5 and \$7 million for building loans. ECBF would like to have dominion over these funds so that they can budget for what they do. They propose to manage the funds for loans (either in a trust fund or grant), investing to protect the corpus going forward. ECBF is a corporation established in the late 1870s. It is not governed as a church group. Its charter would be amended to assure that all assets would return to DFMS if the corporation were ever dissolved. They will do everything to assure a high level of trust in the relationship between ECBF and DFMS. This is a long-standing partnership and they want to be held accountable for what they do and use assets that would build the church, doing the growth in an intentional way. Board represents every constituency of this church with one common mind.

Tim said in Nebraska they appreciated the advice they got from ECBF. The expertise they have does not exist within the dioceses in many cases. We don't know how to train bishops to go out and recruit the kinds of assets we need. He asked if that was part of the plan. Bob responded that it had not been the plan, but putting the diocese in context with what is involved with church planting makes it easier if the diocese wants to do that. ECBF could provide a package to talk from.

Ken asked about how the board is chosen. The existing ECBF board elects the next board. Diane inquired about the current loan rate. Bob answered that normally it would be 10 years fixed at 8%; it is now 6%. A number of people agreed they could manage that time frame. Congregations are not interested in variable rate borrowing.

Thorough examination was made about the interrelationships of ECBF with UTO, CPG, and the Investment Committee. Suggestion was made that ECBF look at ERD documents to use as a pattern when their charter is revised. Bob expressed his understanding of various partnership roles within the church bodies. ECBF has a very solid track record, with no defaults on loans. They concentrate on working with congregations to create healthy environments. They actually work with many more congregations than they make loans to. Since ECF went out of the loan business entirely, ECBF is the only entity making loans now. They operate strictly via by-law to control loan administration so that no loans are made that the board wouldn't approve. A rule of thumb is that no single loan should represent any more than 10% of the ECBF capital.

Russ asked Bob what he would like A&F to do. He answered if a small group could be appointed conversant with the needs of ERD, ECF, representative of the thinking and concerns raised to cure and respond to questions likely raised by EC, a presentation can be made in the future. It was **moved** that a group be appointed from A&F to work with Bob, Charles Fulton and others to further explore the goals and objectives expressed in this discussion and report back with a final proposal at the February 2005 meeting. **Seconded and carried without opposition.**

After an agenda recap, it was **moved** that A&F allocate a total of \$300K, \$150K in the 2005 budget and \$150K in 2006 budget, for the work of the restoration, reconciliation, recognition project (C008) for indigenous ministries. This was **seconded** and discussion followed. There is a concurred GC resolution for this work. They have done *everything* we have asked them to do. Comprehensive discussion covered means and sources of funding this request and the budgeting process. It was agreed that more specificity is needed about how the funds will be spent. Bonnie **moved** to amend the resolution to increase the amount to \$450K. **Seconded.** Discussion began with wishing there had been greater detail in the proposal. Tim suggested the management team should follow up on that. **Diane called the question on the amendment to increase from \$300 to \$450K. Carried without opposition. Vote on the main motion (AF-055) as amended carried without opposition.** Funding to come from net short term cash reserves.

Ken reviewed the budget priorities task force work. They want to survey CCABs and personnel at the church center, asking if we need new priorities or tweak the existing ones. It was **moved that A&F recommends that in developing priorities for the 2007-09 budget the process we use is as outlined in the task force's report (AF-056).** **Seconded and carried.**

Kurt gave an update about matters in Guam. Nothing of significance has changed. The Guam task force to be expanded (Louie Crew, Ken Kesselus, Ann Coburn, Kurt, and George Packard). Gerry Blackburn was on hand to speak to the issue. He said before we do anything financial with the school, it is necessary to look at whether the school fits into or continues the mission of the Episcopal Church. They want an additional, non-finance thinker, to join the deliberations. This appointment can be made by George Werner.

Bonnie **moved AF-051** (Investment Committee and SRI implementation of portfolio restrictions). **Seconded and carried without opposition.**

Diane said we are now reaching a very important point in the renovation of 815 2nd Avenue and, in a very real sense, things stop at the A&F Committee. We need to have a person from EC who will be involved in the renovation process between now and the next EC meeting with respect to the bidding process to serve as a third pair of ears. She **moved (AF-057) that A&F appoint a task force of the A&F Committee to assist management with the ongoing review of bids and bid selection related to the renovation of 815 Second Avenue. Seconded.** Discussion ensued following which Tom G was recommended to act in this capacity. **Carried without opposition.**

Ann asked to discuss the budget rules regarding the carryover of funds for CCABs. Kurt Elucidated: the budget is partitioned by year but you can spend your *triennium* budget when you need to spend it.

Russ adjourned the meeting at 11:50 AM, concluding with giving a gift of a leather portfolio to each committee member.

Respectfully submitted,

Nancy Caparulo
Staff Liaison to the Committee

Attachments: Budget priorities task force report (without referenced B,C, & D attachments)

REPORT FROM THE SUBCOMMITTEE ON BUDGET PRIORITIES

We (Ken, Ted, and Bonnie) met three times, took advantage of Kirk Hadaway's expertise, and brought Pan Adams (chair of PB&F) into our final conversation. Our recommendations follow:

PRIORITIES FOR DEVELOPING THE 2007-2009 BUDGET SHOULD BE DETERMINED IN THE FOLLOWING MANNER:

I. BEGIN WITH EXISTING PRIORITIES.

We believe that it is best for us to begin with the same priorities that are being used in the current triennium because we have just barely begun to make use of them and because using the priorities effectively will require more than a single triennium.

The priorities are listed in Appendix A.

II. TEST THE EFFECTIVENESS OF THESE PRIORITIES BY

A. examining the efficacy of the value of diversity being listing in the preamble rather than the numbered list. (At the 2003 convention, we voted to remove "diversity" from the list originally developed by the Executive Council and put it in the preamble as a sort "lens" through which to filter the other priorities, or an "overarching" or "underpinning" perspective that raises the level of this value in the overall context.)

B. remaining alert to any "emerging priorities" that might demand our attention.

C. carrying out this test through

1. interfacing with the A145 General Convention Task Force and the Structure Commission will be gathering information to inform recommendations to be made to the 75th GC regarding the function and structure of GC. This process will include a posing of our questions regarding the effectiveness of priorities/diversity (Bonnie can oversee this effort)
2. surveying commissions, committee, agencies, and boards, as well as deputies and bishops with a set of questions developed by Kirk Haddaway (See Appendix B)
3. surveying appropriate personnel at the Church center with a set of questions developed by Kirk Hadaway (See Appendix C)

D. doing this work in a timely manner that will coincide with the schedule for developing the budget to be determined by the Church Center staff and Committee on Administration and Finance

III. A history of the as-yet new system of producing a priority-based budget is included as Appendix D.

Appendix A

2004-2006 BUDGET PRIORITIES

We offer these mission priorities as an expression of our commitment to Jesus Christ.

We are committed to the importance of our ministry of reconciliation and communion at every level of our communion.

We embrace diversity and seek to promote inclusion and power sharing, which underlie and inform all priorities, decisions, and all that we do. In faithfulness to these commitments, we continue to honor our covenants and partnerships with overseas dioceses. We affirm the work of the Executive Council in identifying the following priorities for the mission of the Church for the next triennium.

- 1. YOUNG ADULTS AND YOUTH: Reaching out to young adults and youth through intentional inclusion and full incorporation in the thinking, work, worship and structure of the Church.*
- 2. RECONCILIATION AND EVANGELISM: Reconciling and engaging those who do not know Christ by participating in God's mission of reconciling all things to Christ and proclaiming the Gospel to those who are not yet members of the Church.*
- 3. CONGREGATIONAL TRANSFORMATION: Revitalizing and transforming congregations through commitment to leadership development, sp/ritual growth, dynamic and inclusive worship, greater diversity, and mission.*
- 4. JUSTICE AND PEACE: Promoting justice and peace for all of God's creation and reaching out to the dispossessed, imprisoned and otherwise voiceless needy.*
- 5. PARTNERSHIPS: Reaffirming the importance of our partnerships with provinces of the Anglican Communion and beyond and our relationships with ecumenical and interfaith partners.*