

STANDING COMMITTEE ON ADMINISTRATION & FINANCE

**Santo Domingo, Dominican Republic
January 27-30, 2003**

Minutes of the Meeting

Present were: Richard Miller, Russ Palmore, Ken Kesselus, Barnum McCarty, Nancy Salmon, Barbara Mann, Diane Pollard, Ann Coburn, Russ Jacobus and Bonnie Anderson from PB&F, Tom Hershkowitz, and Nancy Caparulo. Absent: Tim Vann, who is enjoying a sabbatical.

Richard brought the meeting to order at 5:20 PM on Monday, January 27th. The committees had been charged to discuss several questions (What have we learned from all of this? What do we need to change? What does the experience invite us to do? What opportunities have been offered?) specific to the private conversation that took place throughout the day. The GTS issue created conversation around how Executive Council (EC) operates, what staff's role is, why was there a breakdown in negotiations, and how similar occurrences can be avoided in the future. Trust issues were raised.

An integrated list of responses resulted (attached).

- Diane observed that the wider church pays more wide attention to what EC does than we thought.
- Barnum said one thing he learned leads into a suggestion: when new groups come on each triennium there needs to be a re-stating or thorough discussion about how EC should function. A close look into the dynamics about what EC is and is not responsible for should happen. Some learned that we are not as important as we thought we were and others have learned that some staff is too big for its britches. We hold false perceptions about ourselves.
- Ann felt that it is difficult to use the word "staff" because that word doesn't always mean staff. It can mean staff officers, the management team, sometimes all of the people at 815, sometimes the PB only.
- Barnum went on to say that canonically EC is a board of directors but in reality it is a board of advisors. He trusts that the management team wants to listen and inform EC about the complexities of the issues we face. The board of directors has never run the Episcopal Church in his experience. He added, however, that he didn't want EC to be trivialized.
- Diane identified a disconnect. There is no representative body that functions in between the EC meetings. She feels that a committee that is heavily staff can't be a good executive committee. More directors participating on such a committee are necessary.

Tony Jewiss joined the meeting.

- The committee agreed that George should sit in on all management team meetings.
- Ann felt there is not only a disconnect but a lack of trust that has to be changed. She thought the process used today was tedious but helpful.
- Barbara suggested that attempts to micromanage are made that create a difficult balance. In this case there is a tension that EC needs to be aware of.

- Ken thought that if there is a way to have the Executive Committee of EC meet with the management team and the PB at some given frequency it would keep EC in the loop while everyone is attempting to honor their mandates between meetings. He suggested compiling a list of things that the PB needs to communicate to EC, or some vehicle to help the PB, who needs to delegate much of his job. He has too many responsibilities. An interim Executive Committee could talk about what should happen in between regular EC meetings to keep issues on the front burner.
- Russ Palmore asked how frequently the Executive Committee meets. [The answer is once in between EC meetings and the PB attends that meeting.]
- Nancy suggested adding another EC member to the Executive Committee.
- Ken reflected about expanding the role of that committee in order to track what goes on between EC meetings. He felt it made sense to expand into a small body or cabinet that would meet more frequently even via e-mail or conference call.
- Richard explained the work of the Executive Committee; they review issues that each committee will tackle at the upcoming EC meeting, work on the agenda to accommodate the anticipated work. He also said that the work of the Executive Committee had taken on certain activities beyond the scope of its expected role.
- Barnum agreed that the Executive Committee should be expanded.
- Diane added that it should expand by more than one person but not get so large as to be unwieldy.
- Richard said it had been assumed that once EC sets a policy, staff takes a position that this is the policy of EC and their responsibility is to execute it; if something goes wrong, they must report back to EC. Part of the discussion focused on the power of the PB's words being power beyond those of an ordinary individual. His words can damage a process intentionally or otherwise. If staff's primary thought is to carry out EC's wishes, all actions need to be toward that end. We assumed that staff would do what EC wanted. We found that they don't necessarily do that. They do the work without thinking that they're enacting a policy of EC. Now steps should be taken to ensure that policy is implemented.
- Diane raised the issue of communication and linked the lack of it to an issue of disrespect.
- Ann commented that much of the problem is A&F's fault. The PB told A&F in Jackson Hole that he was uncomfortable going forward. A&F didn't pick up well enough on what he said to communicate it appropriately to the larger body.
- Ken agreed. The fact that 4 people abstained was disturbing to him and he thought one of the problems A&F encountered was the lack of time to think about it. If background information was sent in advance A&F might have had a clearer vote. As it happens there was more to the situation than the fact that the PB wasn't going to back it.
- Ann added that we need to trust the PB and the staff to do the work, but there is no trust and EC is all over them when they are not doing what we think they should be doing.
- Diane said she had wanted the conversation that was happening in here to continue in plenary.
- Ken restated that A&F didn't provide much leadership and pointed out that nobody abstained when the plenary vote was taken.
- Barbara said that part of what she heard was that the staff would have sabotaged the project at 815 from the very beginning. The project small group said that it could work but that the numbers were presented in a very negative posture, leading one to wonder if the information was accurate or honest.

- Barnum allowed as how Ken's point about advanced information would have made a big difference to A&F. That's one of the learnings – we need information ahead of time. He felt that it wasn't a matter of trust or the lack of it and didn't want to call the staff "untrustworthy." He believes they are doing the best they can trusts them to bring adequate information so that a joint decision can result. He asked, "are we going to be a lay-driven, staff supported church or a staff-driven lay supported church?" The answer is both. We need to be able to engage in honest dialog.
- Russ Palmore offered that we've learned after an action by EC there can be intervening events that create a situation different from that which EC voted, and that reality needs to be acknowledged. The law acknowledges that can happen - contracts entered into mutually can be validly deferred if the basis on which the contract was entered suffers from an intervening event. After Forsyth, Palmore, and McMaster heard the PB on October 30, they would not go forward to draft a binding agreement, as it made no sense to them to do so. That was the view they needed to communicate to the PB; they wrote their letter of recommendation to stop the project.
- Ann expressed her surprise when the PB met with A&F and made it sound much more final than perhaps it was. But when he went through the session with EC and agreed to work with Dean Ewing to complete the phase, she remained hopeful that something might change. She believed it and she thinks he heard the whole council, which helped him to see that reconciliation might be possible. It should say to him, and to us, that what he says really does matter, and he needs to realize that if he knew it wasn't to be, he should have said so at that time. That sort of thing might happen again and we need to be mindful of that possibility.
- Diane added that if she had been in an advisory position she would have said, "if you feel that strongly about it you need to say so in the opening session and put a stop to it." She also said that she really didn't blame him for not doing it but blames the people who had his ear. The close staff should be responsible for making the PB look good. The small committee did the higher management team's job for them.
- Barnum heard him say 'I don't want to do this.' EC badgered him and intimidated him into supporting the process of getting to a binding agreement.
- Richard was troubled with the issue of the PB's mixed feelings. He perceived that the PB was willing for the process to go forward but that the phase was never concluded.
- Russ Palmore described a more abstract learning. There is a different level of expectation by members of EC as to what the PB can do and not do unilaterally that he can ask for approval rather than consultative help. As an example, he cited the visitations mandated by A045 to the three dioceses; GC said EC would appoint the teams. Most EC members were perfectly comfortable with the PB and George making recommendations for approval by EC. Others felt that all of EC, including PB and George, should make the appointments, hence, a different level of expectation of action from the PB.
- Barnum opined that most of us most of the time make emotional decisions and then spend the rest of the time finding rational reasons to support the emotional decision.
- Ann said often in cases like that, you have to get out of the way. Where it concerns the PB, wherever he is on an issue, that's the deciding factor for success or failure.
- Bonnie suggested that the PB has no real sense of his power and its affect on other people. She said that it goes back to advice – where is he getting it and how can he use his power?

- Russ Jacobus added that the question is what power does the EC recognize that he has and what is it willing to allow him to have? That needs to be clarified in plain language – his position within the EC, who is in charge?

Other observations included:

- How do we save face with the rest of the church – EC made a decision and that decision fell null and void.
- EC is looking foolish.
- EC members have to stop worrying about what other people think.

Richard recessed the session at 6:25 PM and reconvened the group on Wednesday morning at 9:50. The agenda was reviewed.

Present were: Pat Mordecai, Ken Kesselus, Russ Jacobus, Bonnie Anderson, Barnum McCarty, Don Hammond from ERD, Ralph O'Hara, George Werner, Russ Palmore, Ann Coburn, Tom Hershkowitz, Tom Moore, Diane Pollard, Barbara Mann, Richard Miller, Nancy Salmon, and Nancy Caparulo.

There was a short discussion about the restoring the draw on the endowment to 5% if there is sufficient funding in the upcoming triennium.

Ken supported the idea to have an hour presentation devoted to program/mission made in each plenary. Richard said that could be added to the agenda and recommendation to the Executive Committee for their planning.

The amended agenda was **moved, seconded, discussed and carried.**

2003 Budget Follow-up

The cost overrun for the EC line item in 2001 was discussed and the causes identified (the priority survey and consultant expenses). Clarity was provided concerning the method used in the budget to protect salaries for unfilled positions. Pat assured that numbers are not based for the following year on what was spent in a current year.

Diane noted the relief accompanying the lack of paper owing to the trunks being held up and asked if that reality reflects on the number of people brought to meetings. She suggested that staff might be cut to save costs in running the secretariat. She did say that name tags were missed and are important to have.

Barbara asked that the Audit Report be added to the agenda.

AF-33 (supporting the 2003 Budget) was moved for discussion. Endowment income is an estimate for projection purposes along with a conservative reduction in diocesan income of 3%. Tom said some commitments are coming in lower and there are rumblings about others that will have difficulty paying. Some positions won't be filled at the church center to keep spending in line. Salary increases are at 3% for inflation with acknowledgement subject to evaluation. Costs have been estimated for Title IV matters. A provision of \$200K was made for overseas

partnerships and covenants in order to meet some issues in that area. More money was allotted for media and press related costs around GC. Contingency money has been earmarked for a few other things, including a discernment effort toward a national resource development project.

Richard raised the issue about the capacity of the treasurer's office to follow through with accountability measures owing to insufficient staffing. Ralph feels that within the budgeted dollars accountability can be met. He also said that accountability is not just the treasurer's function but is the responsibility of the program departments that are allocating funds to various entities. Accountability falls in all spending areas.

Richard inquired how that will be handled and described. Diane suggested that any financial information that is requested should come on a form developed by the treasurer's office to ensure consistency of data within the groups. The pile of programmatic paper belongs in the Program Function but the treasurer's staff shouldn't have to deal with different financial forms. Perhaps it would best be done in conjunction with the GCO, where gathering certain information is required.

Bonnie said she would like to be clearer about how decisions are made that shift the annual budgets and the decisions of GC to a certain degree, that is where are funds allocated in The Episcopal Church Center in the third year of the triennium. She was curious about what those areas are and how they differ from that which GC voted on. Decisions are being made in the third year that may have nothing to do with what GC voted.

Ann suggested that part of the shift comes out of the response to GC's vote. The resolutions that are acted on may be more complex that they appeared at GC. Things arise that are unanticipated.

George offered that all agree that the third year is a place where the line might move somehow and the question is how much does it move? Is it the job of the GCO to be intentional and well stated in order to honor the GC budget in the reporting?

Pat gave communications as an example of one thing we were able to do because income was better than projected. That area is where we increased funding as we began to anticipate what would happen in the next triennial budget. She described it as not so much a shift as a focus for both annual and triennial budgets.

Tom Hershkowitz added that the basic components of the old triennium budget are very much in place. There is an evolution in any organization that causes change. You have to gear up for the anticipated changes, but you also have to tell people what is going on.

Diane asked what plans are afoot for 815 regarding the building. It is an asset of the church and its oversight is part of A&F. There are major decisions to be made about the building.

Ralph responded that this is a capital project and not a budgetary project. It is known that it will be a major expense. Money in the current budget is for studies for consultants. If we need to do a major renovation it will come to EC as a capital request to get us where we need to be.

Bonnie asked to hear about what has been selectively increased in program spending that A&F must reaffirm. She asked also how those decisions are made and observed that the impetus to move forward with the proposed “mission energies” is happening as though they are a done deal.

It was Richard’s understanding that the triennial budget that EC passes is handed off to PB&F with the understanding that it is an expression of the best we can do and with the hope PB&F will take it in that spirit. PB&F then makes changes and recommends it to GC.

Ann wanted to clarify what Bonnie asked. We will identify where increases have happened in response to the “new mission energies” and why the 2003 budget is different from that which was passed at GC. A&F should be as informed as possible in order to inform the rest of EC. It is important to identify the changes from what GC voted. She felt it would be a good idea to have a laundry list of where the changes are.

Barnum **moved** adoption of 2003 Budget for the Episcopal Church. **Seconded**. After clarifying discussion the motion **carried without opposition**.

2004-06 Triennial Budget

The 2004-06 Triennial Budget (AF-34) was moved and seconded. Discussion included:

- priorities are listed in order of importance (helpful at GC for PB&F in decision-making)
- the need to provide a flexible narrative description with regard to communications
- the priorities are less a matter of dollars than EC’s response to voices from the pews
- priorities represent a cultural response
- it’s not just the dollars that show how the focus is shifted, it’s program/mission
- program/mission areas need to respond to the articulated priorities
- priorities need to be visible in the presentation
- the word DRAFT needs to appear on the Report and Proposal that goes to the deputies along with some explanation needs to be in the report and proposal of the background of priority development for the education of new deputies

Questions arose concerning the \$60K authorized by EC for A045 and Aging not appearing in the budget. Tom explained that in the draft he wasn’t sure which way the decision was moving so he removed it from the EC budget and re-directed it so there is enough money in the budget to cover the expenses and \$60K less in the EC budget.

Ken stressed the importance of pointing out what EC did in passing those resolutions. EC did the same that GC does, passing resolutions where no money exists to support them. He felt that should be pointed out when the budget presentation is made.

Bonnie asked for clarification about the status of the position Charles Fulton fills between Church Building Fund and Congregational Development. DFMS pays for his time and two members of his staff who work for Congregational Development. There was some discussion about how this works exactly and whether his salary is commensurate with that of the rest of the staff. It was pointed out that ERD agreed to go by the DFMS salary structure, but also that the building fund was in place when the arrangement was made and that ERD was set up on a clean white sheet of paper. Questions covered value for dollar, what time constraint was placed on the

arrangement, the increased reimbursement in the budget to \$180K, the increase in Congregational Development's line item of about \$1million, etc.

This re-raised the issue of 6% reductions in domestic appropriations and that the 6% didn't apply to some of the covenants. It was asked how the decision was made about who gets cut and who doesn't, for example Appalachian Mountain Ministries.

Pat said that particular appropriation is an anomaly and Tom explained that for all major categories of domestic block grants the cut was made at 6% across the board. There was an element of Appalachian Mountain Ministries and CORA in Brian Grieve's budget. There was discussion as to where the AMM element should reside and what CORA's cuts should be and it was found that there is no material significant difference. For practical purposes the 6% was applied to the overall category. Location shifts can be made within the budget when we have to revisit these pieces for the detail budget.

Diane felt that it is very important to be consistent about applying any formula.

Pat identified this as a presentation question. She thinks that it would be clearer to remove the number out of Brian's budget and put it with all the others who received the 6% cut. ERD and UTO were reduced by 20% and all the others by 6%.

Tom said a revision would be made to maintain consistency. The numbers will not change, just the presentation. He explained that UTO and ERD have outside sources of income to help support their administrative costs.

Richard raised the issue introduced by PB&F. The issue is an understanding that support from DFMS would be reduced if ERD was spun off as a separate 501©(3). Russ Jacobus recalled that ERD claimed at the last GC that they would not be in the budget in the next triennium because they would be a separate entity. It was thought by some that where there are in-kind contributions through the DFMS budget to certain entities, these entities should be identified and the amounts disclosed.

Don Hammond interjected that he never heard that ERD was not to be part of DFMS's work.

The question on the 2004-06 budget was called and the motion carried without opposition

GTS PROJECT

It was moved and seconded to approve AF-35 (discontinue exploration of the project). Passed with one abstention (Diane, as she is on the GTS board).

Barbara asked what action (or none) was to be taken regarding the packet of information that Ward Ewing provided for distribution (namely asking for \$1million in payment of their expenses toward the project).

Russ Palmore asked how this correspondence was generated, noting that Ward Ewing's letters were directed to Richard as chair of A&F and refer to conversations that occurred between the

two of them. After some examination of the exchange, it was agreed that it is important for Richard to respond as Chair of A&F and include a copy of the resolution (AF-35). The question remained of what manner of response should address the request for a settlement.

Diane said that members of the GTS Board have received copies of Dean Ewing's letters. She thought the question about recompense was likely to be asked in plenary and believed that it needs to be responded to in a professional way, perhaps by the joint committee. She added further that it would be a terrible mistake to let this kind of thing happen again with any other relationship.

It was Ann's thought that the expense represents the risk both entities took on when the project was begun and that neither DFMS nor GTS handled themselves very well. DFMS needs to respond to Dean Ward and not just in resolution form but also by bringing some closure to the matter in a pastoral and professional way.

Long discussion ensued about who responds. Additional conversation examined the possible mission imperatives (urban ministry/renewal) that might be carried out in future by GTS, the nature of its identity as the "official" Episcopal seminary, why it is that GC elects trustees to GTS, etc. Russ Palmore offered to participate in the response.

Diane urged that it be done as quickly as possible and the money issue resolved. GTS is now looking at other opportunities. She wouldn't want any kind of communication or hope lifted out of this meeting that DFMS is going to give them money.

Pat supported the idea that Richard, Russ Palmore, and the PB respond to Dean Ward. The expenses by both parties are complex and need to be fully understood by whoever responds. Additional discussion reviewed events that occurred leading up to November 14th and Forsythe, McMaster, and Palmore recommending that the binding agreement should not go forward.

Bonnie asked about budget placement for Native American ministries. Tom replied that ECIM historically was part of Congregational Ministries and is now in the Ethnic Congregational Development budget. Each area within ethnic desks gets \$500K for the triennium.

Ralph expressed his thoughts regarding the report from Dean Ewing to the DMFS Board.

After a recess for Eucharist and lunch at noon, Richard reconvened the session at 1:45 PM.

The Blue Book draft report was reviewed along with the changes that need to be made and given to Anne Karoly.

Barbara reported on the activities of the Audit Committee.

Pat's draft response to the PB&F Committee regarding the various issues requested of the management team and A&F was reviewed. Pat will update the response regarding accountability issues and the Alleluia Fund and provide copies to A&F members by e-mail. There is an open question about whether that (Alleluia Fund) money should be treated as diocesan income for the

purposes of calculating the askings. Pat didn't think there was an answer. Bonnie thought perhaps the treasurer's office had a position regarding how those funds are to be considered. There were also questions about the funds allocated for the bishops of Haiti and the DR to have conversations that Pat will update and send to Richard, who will distribute to the committee.

Ken **moved** that A&F ask the chair to convey to the Executive Committee that A&F would like an hours' presentation about program/mission included in future plenary sessions of Executive Council meetings. **This was seconded and carried without opposition.**

Pat went over the DFMS staff updates. Tom Hart is leaving the DC office. Margaret Rose will be coming on board to direct women's ministries. Assistant Treasurer's position has been widely advertised. HR received approximately 350 resumes from which to pick. Bonnie asked about the demographics of the applicant pool. There have been 15 resumes initially culled from which 4 will be interviewed, one woman, three men (ethnicity is unknown at this time). Diane opined that if we don't honor our anti-racism training in the processes we use, there is no point to the training. There is a huge pool of unemployed people who would help honor the focus on ethnicity.

It was agreed that the Endowment for Philippines would be placed on the Agenda for April's meeting.

Nancy said that on occasions when members miss meetings it would be good to receive any handouts from the meeting and the issues covered in executive session. This will be taken care of in a more organized way in the future.

The meeting ended in Executive Session. Bonnie Anderson and Russ Jacobus were invited to stay for the session. Richard adjourned the meeting at 2:30 PM.

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Respectfully submitted,

Nancy Caparulo
Staff Support to the Committee