

The Standing Committee on Administration & Finance

Parsippany, New Jersey

June 11, 2007

Present: David Alvarez, Kurt Barnes, Jon Bruno, Vicky Garvey, Del Glover, Tom Gossen, Bettye Jo Harris, Josephine Hicks, Gay Jennings, Dennis Stark, Gregory Straub, Ted Yumoto; from PB&F, Chair Pan Adams-McCaslin; Archivist, Mark Duffy; from the staff, Nancy Caparulo, Alpha Conteh, Margareth Crosnier de Bellaistre, Lori Ionntiu, Tony Jewiss, Jim Lemler, Mary Frances Schjonberg and Linda Watt.

Josephine called the meeting to order at 9:00 AM with prayer:

From Consecrations, Blessings & Prayers (Canterbury Press, Norwich, UK, 2005)

Holy Spirit, fill our hearts with your charity and our minds with your wisdom as we meet today/tonight. Fill us with sufficient grace to be honest and fair in our deliberations, but keep us from all useless argument. Let us speak solely from motives of love, having at all times the interest of our church at heart. May we seek only the glory of God and the growth of God's kingdom here in [place]. We pray for us and for all members of this Council, that we may grow closer to God and to one another, becoming each day more worthy disciples of our lord Jesus Christ, who lives and reigns with you and the Holy Spirit, one God for ever and ever. Amen.

Josephine welcomed Pan Adams-McCaslin and thanked her for asking Holly McAlpen to attend the last meeting. She also welcomed David Alvarez.

The Agenda was reviewed and amended. It was **moved** (Bruno) and **seconded** (Alvarez) to accept as presented the Minutes from the March meeting. **Motion carried without opposition.**

COO's Report

Linda Watt discussed activities at the Episcopal Church Center (ECC) in the past several months.

- The renovation is essentially finished.
- A working group on an 'inspired work force' will make its recommendations shortly. Included will be an improved performance management system.
- There is now a "policy on policies", collaboratively updating HR, finance, and other DFMS policies with staff input.
- A volunteer *Green Team* is assembled to look at environmental effectiveness at the ECC.
- Facilities Manager, Mike Carabine, has taken another job. Under consideration is the hiring of a property management firm to oversee the building.
- A self-selected group is interested in having chapel offerings dedicated to charitable activities in which staff are involved. This is moving forward.
- The Catalyst Café and bookstore are now open and doing reasonably well.
- There will be a receptionist at the front desk to add hospitality to the security presence.
- There is in place the *PB Fortnightly* – an opportunity for staff input to the PB via a document that tells her what they are doing.

- Another working group on organizational effectiveness is looking at how the organization of the ECC can better serve the mission of the church. Tentative functional groupings that will comprise the new organization were identified: administration, advocacy, communication, publications, diocesan services and congregational vitality, finance, General Convention (GC), mission leadership, partnerships, PB's office, stewardship and mission funding. The group will finish its work in July and provide its recommendations to the Presiding Bishop for her approval; implementation will follow.
- Exciting initiatives have begun in Communication – Episcopal Life online, the daily scan (nationwide news relevant to the church), EpiScope blog. Current thoughts are focused on new networking opportunities that would tie in communicators across the church. The ad in the New York Times was very effective.

Jim Lemler added that the Organizational Effectiveness Working Group has developed a mission statement for the church center, and noted that the group's work has been substantially informed by surveying the House of Bishops, a number of Deputies, and other stakeholders.

In response to a question about the anxiety resulting from the upcoming transition, Jim said there is anxiety but mechanisms are being used to diffuse it as much as possible.

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Tom asked for an update on the claims process against the engineers for the building. He is concerned with Mike's leaving that the information regarding warranties from the contractors, etc, is well organized and accessible.

Linda responded that the claims process has not begun because the building is not "done." Warranties have been organized for Suzanne Baillie. Mike and others have gone through the process to be sure Suzanne knows where everything is and Mike will be available to answer questions if they arise. A staff person needs to be identified to act as the point person in this area.

Regarding the signage at the ECC Linda explained that the change has been brought about since the DFMS will be a landlord as of January 2008. New signs indicate ECC on the right and plaques for tenant identification. On the left a sign for the Chapel of Christ the Lord provides service times.

Treasurer's Report

Kurt reported that the 2006 Audit resulted in a totally clean opinion. The St. John's School, Guam, audit held up the completion of the DFMS audit because theirs was not ready until the beginning of May.

Diocesan commitments and the way they are presented on the spreadsheet were discussed as was the funding frustrations about the Title IV Review Task Force II, which had passed after the budget was passed at Convention.

Pan Adams-McCaslin said PB&F had worked hard with A&F and Council about how to handle after-convention expenses and expressed her concern about what this funding now looks like. It was **moved** (Jon) that A&F take responsibility for what the Presiding Officers want regarding Title IV Review Task Force II. **Seconded** (Del). Explanation: recognizing that additional assets

from the trust will be available to reimburse the expenses of the Investment Committee (IC), the proposed resolution does not increase/amend the budget. Dennis pointed out that the IC is clearly on record for being upset about the change to 5.5% dividend payout and that it should be clear that this is *not* extra money, it is a revision of the budget presentation to change the line item amounts so that there is less funding for the IC and funding for the Title IV Review Task Force II. Discussion continued covering the importance of transparency so that it is clear where the money is spent. Dennis, Gay, John and Del were tasked to craft the resolution (see AF-033).

David expressed his objection to the use of the terms Domestic & Overseas as they perpetuate “olden times” and old mentality. He stated that all dioceses should be in the same boat and that the paternalism implied by using “overseas” is wrong.

Gay responded that she would take this matter up with the Standing Commission on Structure, where a priority has been identified to look at Province IX structurally. While the treasurer’s office can present all dioceses alphabetically, she added it would be preferable to make a change canonically to get rid of the distinction. Kurt said that it now becomes more important to work with the Province IX bishops to get their commitments signed and returned. Gregory noted the parochial report of line no longer has the distinction.

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Kurt gave the investment report as an overview. The DFMS trusts continue to out perform the benchmarks.

The Treasurer’s Office has begun a collaborative process of asking staff, “how are we doing” and receiving feedback. He complimented all for keeping so close to the budget.

Pan introduced Lyn Headley-Deavours from the Diocese of Newark and Chair of Mission Section of PB&F. Lyn exemplified PB&F’s commitment to educating committee members throughout the triennium. Holly McAlpen attended in Portland.

Stacy Sauls was present to discuss work of the AF-20 task force, charged to devise a means for all of EC to have more meaningful, thoughtful and less rushed input into the budget process. Stacy chairs the task force that includes Kurt, Vicky, Sandy McPhee, Linda and Belton Zeigler. Resolution AF-031 is proposed by the task force, concerning 1) how to bring people together collaboratively (staff and EC members) and 2) discerning who holds the *vision* of the Episcopal Church, of which the budget is a reflection. The feeling is that the budget process should begin sooner and allow for more active input from staff and EC. The resolution recommends appointing a budget committee of EC, chaired by the A&F Chair and having one member from each of the other standing committees. The process would begin at the February 2008 meeting in earnest with visioning, recommending priorities for the next triennium. Then everyone with budget interests would be solicited for input but not a reworking of the last budget. The suggestion is somewhat based on zero-based budgeting. By 9/2008 all requests to be included in the budget should be received.

It was **moved** (Tom) and **seconded** (Gay) to accept. AF-031. Discussion included whether or not another term for budget was considered. It had not been. Pan supported the resolution content with more work done on the front end resulting in less work at GC. Discussion covered

- who the members of the budget committee should be and why
- the time line for CCAB input and the challenge to Blue Book report deadlines
- an earlier request for input
- importance for the Budget Committee to educate widely and thoroughly
- setting priorities for mission
- the impact on visioning with the meeting held in Ecuador and the logistics of including some staff via conference call

The language of the resolution was perfected, accepted by the mover and seconder. The **motion carried without opposition.**

Stacy, when asked about the work of the Budgetary Funding Task Force, described the group as creative and thinking about funding in the longer-term. They will present a report at the next GC that is a big picture change.

George Packard, Julio Holguin, Marge Christie and two translators joined the meeting.

A question was raised about the work of the A&F 2021 task group engaged in discussion about funding the budget. The task is to have a balanced annual budget without having to resort to some of the balancing measures required last year. Tim Anderson chairs the task force and some of its members joined A&F to talk about exactly what it is the committee needs to be doing and to get clearer guidance. Julio Holguin, RPM Bowden, Bettye Jo and Pan are on the task force and Linda Watt has been asked to provide input. Two groups are already looking at how to fund the budget. It was agreed that this group should look specifically at how not to invade principal assets. With the help of Kurt, Linda and Jim they might look at what 2008 and 2009 look like and suggest to EC various ways to balance those budgets.

Wide-ranging discussion explored 1) whether this is a duplication of efforts; 2) the frustrations of management trying to offer a budget for EC's approval that realizes fiscal constraint yet addresses EC's mission priorities; 3) the need for EC members to be involved early on to present a balanced budget for the next financial year; 4) the need to coordinate the work of the several task forces; 5) the task force providing input regarding reductions, if such are necessary; 6) returning to the 5% dividend pay-out rate and the necessary involvement of the IC into the conversation earlier, if that doesn't seem possible; 7) the work of the task force dealing with diocesan commitments and accountability and how that could impact diocesan income; 8) giving a theological challenge to the dioceses.

It was ascertained that no conversation of this kind happens at the House Of Bishops meetings. Jon said that it is our obligation out of our abundance to increase what we give to the dioceses in our church who need it and that this be done alongside good stewardship teaching.

Kurt pointed out that each block grant to dioceses represents about 60% to 80% of the diocesan budgets in Province IX. The exception is 33% in the Dominican Republic.

In Rhode Island a process was used to gross up the budgets of all the missions so they could pay their diocesan apportionment as if they were a parish. When missions are independent they are prepared to give their apportionment because it is built in along the way.

Josephine recessed the meeting at 12:00 and reconvened it at 4:00 PM.

Kurt continued his report with the ECC departmental responses to the MDGs. All agreed that this giving was part of the mission of the church and kept their designations as originally made. No department considered the 0.7% a sacrifice or undue burden. The General Convention Office (GCO) will send out another reminder to the chairs of the CCABs with regard to CCAB commitments. An exercise in preparation for this triennium budget identified what was already in the budget to address the MDGs; that figure was approximately \$10 million or 8.0% of non-government income.

Financials

May 18th the IC met. Margareth reported that two new investment managers were added with whom DFMS will start investing \$10 million with each at the first of July. The convertible firm, Advent, based in NYC is minority-owned. The hedge fund is Blackstone. Through May the DFMS return is 8.9%

Resolution

Josephine reviewed the resolutions for the consent calendar, all having to do with trust funds. It was **moved** (Jon) to approve AF-023 through AF-030 and place on the consent calendar. Del **seconded**. Discussion followed about AF-23 and 025 for clarification purposes. **Motion carried without opposition.**

Audit Committee

Del reported for the work of the Audit Committee. Grant Thornton (GT) rendered an unqualified opinion in the Management Letter for the audit of FY 2006. GT found that a number of checks had been post-dated by an employee new to the job, which was caught and corrected. GT gave high praise for the way DFMS manages government grants. They raised for discussion the issue of monitoring funds that are grants to overseas dioceses and the need to provide training. This is of concern only to the extent that support and training are provided so that DFMS can be accountable in those areas. GT is very helpful with reminders about things needing attention. New trend is to separate how subsidiary organizations are managed; separating the assets of the parents from the child is increasingly important. DFMS may wish to consider in the future how subsidiary organizations are set up under the DFMS umbrella.

There was some discussion about the length of time an audit firm works for an organization and the process in place to rotate the partner and audit team. There is no fixed rule for Nor For Profits so this question has been referred to the Audit Committee, who will revisit the matter in September.

Kurt followed Del's report by commenting about evaluating assistance and training provided to supported dioceses. A system has been initiated recently that when Jose Gonzalez visits and completes an internal audit, his letter of recommendations and identification of issues is sent in both English and Spanish with Jose's and Kurt's signatures. In each diocese of the ninth province there is different accounting software. If they were all on the same platform they could help one another.

Constable Fund Recommendations

Jim Lemler said that proposals are prepared and first vetted by the canonical and program directors. Then they are forwarded to CIM for further revision and final recommendation to EC. Since they have financial impact on the trust funds of the church, A&F sees them as well. Jim reviewed the scope of recommendations, noting that there were many more requests for funding than dollars to fund. The Constable Fund procedures call for decisions to be made in the summer.

Josephine recessed the session at 5:05 PM, shortly after the President of the House of Deputies joined the meeting. On Wednesday, she reconvened the meeting at 9:05 AM, reviewing what remained on the agenda.

Jim Lemler and Tom Gossen presented information regarding the Mission Funding Initiative, describing the process of developing the case statement with the Standing Commission on Stewardship and Development. The Standing Commission has broad oversight for finances resulting from fund-raising. Question arose about the advisability of formally designating a member of A&F and B&C to the advisory committee. NOTE: this initiative is not a capital funds drive but a long-term effort to generate a philanthropic income stream to the budget. It was suggested that the word "Campaign" be avoided in favor of the term, 'initiative,' to nurture gifts from persons who have been blessed with an abundance of resources and a desire to make a difference in the world. Discussion covered many aspects of the charter (specific to the enlargement of it), the approval of EC, the oversight of EC, procedures involved.

The larger question was raised of amending the charter in order to clarify its intent. The expenses of the initiative were to be paid for by gifts. This is common thinking among the fund-raisers on the Standing Commission. It was agreed that there should be a non-conflicting dream statement with an overview of what the funds would be used for – taking care of the poor, feeding the hungry, etc. It was also agreed that the campaign language should be edited out of all the documents. A suggestion was also made that the effort should be one involving the whole church, not just people of 'means.' "We need to focus on invigorating the mission of the church." This task force is trying to change the culture of our denomination where there has been no effort in the past 20 years to ask our members to contribute to mission.

Bonnie Anderson, President of the House of Deputies joined the meeting just in time for a 15-minute break. [The minutes reflect that each time she joins A&F we leave the room.]

After the break the discussion continued, with thoughts about

- deputizing someone to draft a resolution about the issue to include advisory committee, A&F's role, EC's role, etc.
- The initiative being a great opportunity to involve the whole church.
- The HOB discussing the finances of the church.
- EC perhaps considering a resolution to air in October charging the bishops to get involved
- The importance of ownership
- The need not to rush but to orchestrate and coordinate and an overall strategy focusing on large givers.

- Where does the PB become involved
- Asking a member of PB&F, A&F, SCSD and some others to get together between now and October to make some decisions about the structure of the oversight and personnel.

Question arose as to what the staff is to do. The advisory group needs to be put in place and devise next steps: then the development function should be staffed. The advisory group will be paid for out of the budgeted \$300,000 per year. Who appoints the members of the advisory committee since it is not appropriate for staff to initiate such a committee? All thought that EC needs to set a policy on the EC raising money for organizations that are not part of the church. Resolution: was **moved** (Gay) and **seconded** (Jon) that task force be formed with a charge from A&F to work jointly with SCSD, the office of the treasurer and representatives from PB&F to look at the structural issues and bring back a report to A&F in October with the idea that it will go to the whole EC. This will include review and amendment of the charter if necessary. **Motion carried.** The resolution becomes AF-032.

Archives Update
 Archivist, Mark Duff, reviewed recent history regarding the site search for relocating the Archives. Three possible sites were identified and, after the last EC meeting, revisited. In all proposals there will have to be significant dollars raised to create an appropriate facility. Right now the pressing need is to focus on getting out of the building in Austin in 2 years. Even an expedient short-term solution will cost millions. Mark identified the major problems, much of the Archives staff has left and the church has not taken ownership of the issue. It is too late now to pursue several of the sites. It is unclear which of the church's assets might be used and in what manner. If assets of the Church are to be used from the endowment, EC needs to know what impact that will have on the budget. It was agreed that a task force would be appointed to ascertain a means for funding and hold a conference call with the whole committee in 4-6 weeks after some research has been done.

Along similar lines, Kurt asked for A&F's consensus concerning a request the PB received from All Saint's Waterloo, Belgium, to co-sign a loan for 2.5 million Euros to purchase their buildings. A&F's immediate and unanimous reaction was that it would not be a good idea.

Josephine recessed the meeting at 12:05 PM for lunch and reconvened it at 1:30 PM.

AF-033 was **moved** (Title IV Review Task Force II funding). **Seconded.** Language was perfected. **Motion carried without opposition.**

Bonnie Anderson discussed a memorandum that she, the PB, Kurt and Margaret Larom received from IARCA (Central American dioceses except Honduras) regarding a misunderstanding about the covenant payments, the amounts each diocese should expect, the possible exclusion of the people involved from the conversation and the arrangement of the covenant dollars, etc. The PB has responded and Bonnie wanted A&F to be aware of possible financial issues that might arise. There is also a question about verification of appropriate spending of the covenant money these dioceses receive from the DFMS budget. The Grants Auditor looks at accounting and makes recommendations, much like a management letter from an auditor, and issues a letter of concern that goes to the diocese jointly under Kurt's and Jose's signatures. There is some question about

what expectations are established for spending the money. This is an area for where the covenant committees can work to enhance the relationships. Kurt mentioned that some dioceses receive additional non-DFMS funding and a plan should be in place for the DFMS to reduce covenants where there is other funding available. IARCA covenants are to be reviewed periodically with the Treasurer. This hasn't happened recently but will be.

Bonnie said these covenant relationships need to be improved, sharpened and enhanced and better conversations must occur so that DFMS can be on top of the covenants and stipulate responsibility for the disbursement of funds and oversight of how they are used.

Jim added that this is a complex area where there are financial and leadership relationships. A proposal has been made to have conversation around this for an upcoming EC meeting and have the covenant representatives present to participate. Some covenants were established more than 30 years ago and have no oversight in place. It was agreed that Margaret Larom, INC, Kurt and Linda would meet with EC members to collaborate about next steps.

AF032 (task force for Mission Funding Initiative) was **moved and seconded**. Discussion resulted in perfect language. **Motion carried.**

DRAFT

Short discussion covered the status of the on-line donation strategy. The group is ready to interview vendors. Tom withdrew the proposed resolution after an offer to cover the expense was made by the Bishop of the Diocese of Los Angeles. However, additional conversation ensued about transparency and the making of a designated gift to cover the expense. By the October meeting potential vendors will have been interviewed. There will be a comprehensive list of recipients who will be able to receive money from on-line gifts.

Task Force on Diocesan Commitments

Gay recalled that in addition to herself Vicky, Del, and Jon made up a task group to talk about how to get dioceses to make and meet their budget commitments. Gay spoke with Jim Waggoner who chairs the Budgetary Funding Task Force. They haven't addressed delinquent dioceses and believe someone should do so. Stacy Sauls said it was on their task list but on the longer view for the next GC. This small task force needs to work with Kurt about issues involving non-committing dioceses or those who are chronically in arrears. They will meet by phone and ask for thoughts from the committee about an approach that might be used.

Kurt raised the issue of timely submission of the diocesan report of income that is due in the GCO every September, delineating income two years prior to the year to which the budget commitment will be made. The return rate is about 60% and, maybe 75% is received by the time the budget is put together, concluding with about 80% compliance. Suggestions: 1) thank substantially those who give more than 21%; 2) if all dioceses are equal and the same, dioceses in Province IX are either not paying or are paying only a symbolic amount and they should be told that they should shoot for 21% - or we risk ongoing paternalism. David agreed to serve as resource to develop an approach for the 9th Province. Talking about what consequences might be in order is totally appropriate.

Standing Committee on Structure Report (A110 resolution)

Gay is the representative from EC and Gregory sits on the committee. There is concern that there is no review process for committees. They have been asked to review EC committees that report to Structure and make recommendations a year before GC about those EC committees. Sandy Webb and Mark Duffy did a history of the committees and where they report. By June of 2008 SC on Structure will have evaluated A&F's various sub-committees in terms of whether or not they should be continued or terminated or assigned to a standing commission of the church rather than being a committee of EC. In October this can be taken up in greater detail.

There are a lot of issues concerning the EC committees, how and why they are created. The review process will include Linda having to do with more greatly defined terms. Operations (Audit and IC), program (there are a number of committees, some of which should be tied to EC and others to standing commissions); policy and advocacy (ECIM, Status of Women, Jubilee). There are significant opinions on the SC on Structure about the Audit Committee. It is not mentioned in the canons of the church but only mentioned in the by-laws of EC. Many questions were aired: What's the test to be an EC committee? By-laws or canons? Should there be a mandate for the Audit Committee in the canons and the details in the EC by-laws? Gregory added that this is part of the mandate to Structure, looking at all of the committees and commissions to GC. It was suggested that whoever deals with Audit might look at Sarbanes Oxley to see how it might impact audit going forward. If there are recommendations they will go in the Blue Book and are voted on by GC. ECVA and the Historical Society are lobbying to become "official" committees of the church, raising the question, "what are the criteria?" They have independent boards and are likely to become agencies of the church.

For information purposes only, old AF-038 was distributed for new members of EC regarding the matter of charging rent to agencies housed at the ECC. Discussion and evaluation resulted in DFMS not charging rent to the non-consolidated agencies. They are charged for computer, MIS work and phone. Exception to that is the UNO who has no money at all but are funded about 85% by the US and Canada. A decision was made regarding the relationship with the Anglican Communion that the office be provided gratis. They are invoiced as a matter of course, then the invoices are forgiven.

Archives wrap-up: Josephine will appoint a group (Archives Funding) to propose options for funding acquisition construction, renovation, and a move to a suitable facility for the Archives. The group will recommend to A&F the preferred option(s) for funding. This will be done in consultation with Mark and the Archives Board. They will only talk about how to fund it once a site has been identified then help articulate the reasons and urgency around the funding issue to frame a proposal to EC. How much should it be? How to do it? Who to do it? Kurt, Dennis, Jon and Del will be the task force. They should they report to A&F by conference call and Dennis, as chair, will let Josephine know when to schedule one.

Josephine adjourned the meeting at 4:20 PM.

Respectfully submitted,
Nancy Caparulo
Staff Support to the Committee

Attachment (overview - Archives task group focus)
A&F task group on funding for Archives relocation:

Members: Dennis Stark (chair), Del Glover, Jon Bruno, Kurt Barnes

Task: How will TEC fund the relocation of the Archives?

1. Consider ranges of sums that may be needed to relocate the Archives, considering costs that may include purchasing land, purchasing and renovating a facility, building a facility, and moving the Archives from its current location to the new location (which may include interim storage and moves).
2. Consult with the Archivist and Archives Board concerning the Archives Strategy Subcommittee's recommendations on the preferred location and estimated associated costs (Note: the A&F task force is not to make recommendations on the preferred location. This task force's charge is limited to evaluating funding possibilities.)
3. Evaluate possibilities for funding the relocation (such as borrowing the money from the Endowment) and report to A&F on the impact each option would have on the Endowment and on the budget.