

## **The Joint Standing Committee on Administration & Finance**

**Albuquerque, NM**

**June 12 – 15, 2008**

Present from the committee were: David Alvarez, Kurt Barnes, Jon Bruno, Vicki Garvey, Del Glover, Tom Gossen, Josephine Hicks, Gay Jennings, Bryan Krislock, Dennis Stark; Pan Adams-McCaslin, Chair of PB&F; Bonnie Anderson, President of the House of Deputies; Presiding Bishop Katharine Jefferts Schori; from the staff, Nancy Caparulo, Margareth Crosnier de Bellaistre, Lori Ionntiu, Caspar van Helden, and Linda Watt.

Josephine convened the meeting at 7 PM Mountain Time with apologies for the confusion about the start time (it was to be 7 but the welcome letter indicated 6:30). Welcome was extended to Bryan Krislock, the new Province VIII EC representative and member of A&F, and self-introductions made.

The agenda was reviewed and amended. The Minutes from Quito were moved, seconded and approved as presented with one abstention (Jon, who was not at Quito).

Mark Duffy, the church Archivist, joined the meeting.

### Financials

Kurt began with the April statement of operations. Revenue is in line with budget for the first 4 months of 2008. The books for May will be closed on the 13<sup>th</sup> (tomorrow). Diocesan pledges are coming in as expected with one exception. East Carolina's diocesan convention voted to halve their original pledge reducing anticipated diocesan income by roughly \$100K. Earnings from short-term investments are ahead of budget despite declining interest rates in the market. Management of the short-term investments maintains them toward the longer end of the maturity curve. Spending is below budget, which isn't unusual in the first half of the year. Regarding the \$340K that EC voted to supplement the mission center budgets, the center directors in consultation with management, have allocated \$223K, leaving \$116K to be allocated. Kurt explained how the funds are moved through the balance sheets as they are allocated and expended. On the spending side, there are unfilled staff vacancies where the budget assumed they'd be filled in April, meaning additional savings. Some of those positions are currently in the interview process.

Margareth reported that the first quarter 2008 portfolio lost 7% of its value in a bad market, although the DFMS funds did better than their benchmarks. In April and May things are improving but value is still down 1.2% with no way to predict how things will look at the end of June. Additional managers were added with the hope of decreasing risk while maximizing return. Whether this strategy has worked will be known at the end of the year. In 2009 assumptions for investment income to the budget will be held flat. Even so, providing a dividend of \$1.10 per share payout will still be possible (barring market catastrophe between now and December). This projection was the result of consultation with the Investment Committee (IC). A \$1.10 payout rate is 2 cents lower than that projected for FY 2009 at GC in 2006. The 2 cents

translates to \$200,000 to the budget. Tom commented that the performance and management have been excellent. Kurt added that the DFMS portfolio has outperformed the benchmarks in both up and down markets. Brandywine, a global fixed income manager was hired in addition to European Investors.

Extra-budgetary spending: EC approved up to \$500K from various trust funds to support San Joaquin and other dioceses in similar distress. San Joaquin will use \$460K of that in 2008. DFMS is also assisting the Diocese of Fort Worth with a pastor and it is anticipated that requests for funding will be forthcoming in 2009. \$4.2 million have been identified in the trust funds and vetted by in-house counsel.

The audit for 2007 received an unqualified opinion, the signing of which by the auditors was delayed by the delinquency of the audit from St. John's School in Guam. This is an ongoing problem DFMS as the St. John's audit is consolidated with that of the DFMS. Five of the six members of the Audit Committee have accepted the audit. Several tough discussions have been made regarding St. John's School that urge them to act on their promises to repay their debt to the DFMS.

Margareth reported that *The Trust Funds 2007* book is now on line. Hard copies are available upon request. The same is true of the *Manual of Business Methods in Church Affairs* (also available in Spanish).

#### Diocesan Commitments Subcommittee

Discussion ensued concerning whether or not A&F should present a resolution commending the Diocese of El Camino Real for their restoration plan to reach 21% commitment to the GC budget. Gay asked for consensus about this matter. The PB asked the committee to look at the breadth of the issue and to help dioceses having difficulty. This could be done also through the provincial structure. Bonnie followed by saying if the desire is to encourage and support dioceses in making their complete commitment there must be intention and strategy about what is offered to them. Gay offered for the diocesan commitment subcommittee to meet again and come to the next meeting with a more focused approach. She said she would report tomorrow about actions already taken and those yet to be done. Bishop Katharine expressed her wish that the report of diocesan giving levels be more public, that more active communication be done concerning it.

In Quito there was discussion of two groups to look at accountability issues, one appointed by the presiding officers and another joint INC/A&F committee. Vicki and David are both serving on the subcommittee and intend to report fully on Saturday.

It was noted that the Historical Society's request for tax-exempt status must to wait for a time when the matter can be fully explored. Pan Adams McCaslin arrived at 8 PM.

Linda reported about the Children's Advocacy Conference that didn't happen. Last fall (2007) it was decided that there would be a conference about children's rights and advocacy to be held at the Maritime Institute in Baltimore in early May 2008. Owing to serious lapses in planning oversight and ignoring deadlines where refunds could be obtained, it was noted that enrollment

was terribly low and the point where deposits and promises could be retrieved had been passed. Ten people enrolled when more than 100 were expected. Cancellation of the conference cost \$90,000, a cost, which was supposed to have been covered by the attendance fees. An internal investigation determined how the lapses occurred and a change of management was made in that unit during that period of time. Before that change opinions differed about who was responsible for pulling the pieces together but management obtained what is believed to be a good description of the lack of oversight that led to the failure of the event. Linda asked Grant Thornton (GT), the DFMS independent audit firm, to recommend steps to avoid a repeat of this incident and several suggestions were made regarding the planning for this kind of event. There are current staff members who are on HR notice through interventions and there are vacancies that will not be filled for a while in order to defray the loss. Travel for that office has been severely curtailed as well. GT provided processes to prevent this in future. The Center Directors have taken greater control in oversight for planning of this kind of event.

Kurt added that GT's recommendations include things that the TRO has been doing for the past three years, among which is that departmental budgets must show a cost and recovery line, where fees are charged. The finance office staff needs to rely on the program manager to say when there is a fee for an event. In this case, neither the cost nor potential revenue was identified, so finance was not able to catch the lapses in advance. Now, when there is a contract for a hotel, Kurt alone will sign it after legal review. They will include the budget account number, the cost of the event and what the fee base is, if any. The PB pointed out that this is an example of why performance management has been emphasized in the reorganization. Josephine said that reminders about financial deadlines can be provided electronically. In response to Bonnie's question if the cancellation was made unilaterally or collaboratively, Linda said several people were involved in the decision to cancel. Linda, Kurt and Katharine have the ability to sign a contract.

David reflected on global economics: transportation, costs of food are increasing dramatically worldwide and affect The Episcopal Church. Is it worth paying \$200K for ecclesiastical tourism? Linda responded that discussions are taking place internally about intentionality and focus on purpose along with trying to balance the need to be relational and bring people together for a mission purpose balanced against the reality that many people don't have the time. She continued that the meetings issue is an important one. Many groups in the church are accustomed to meeting together and come out with rich results and when *not* meeting is discussed issues often arise.

Lori added that having staff planning meetings is not a good use of staff. A professional meeting planner is what is needed for larger meetings. Staff can't do their jobs and be professional meeting planners, too. The Evangelism & Congregational Life office now has a meeting planner for their work and the new travel agency that we will switch to has planners as part of their services. MTS has offered a similar service that has not been used much.

The meeting was recessed at about 9 PM. On Friday morning, the session reconvened at 8:25 AM with Vicki offering a prayer. Also present were Tom Duggan, Bill O'Connor, Bettye Jo Harris and Caspar van Helden.

### Building Issues

Linda introduced Bill O'Connor, head of building management, who took over a year ago when Mike Carabine left the ECC. He was to forecast the long-term costs for the building, discuss what kind of capital renewal is necessary to keep it in good condition.

It was necessary to examine the building in its entirety to see what it is likely to cost in the next 10 years. Interiors, electrical and mechanical systems are in very good condition, having recently been replaced. Not addressed in the renovation was exterior restoration of the building. DFMS was notified by the City of NY that the building had to have an exterior examination and this was accomplished in order to estimate what will be necessary in the next three years. After receiving the engineer's report Bill anticipates \$500,000 worth of repairs that must be done on the building's exterior. The City requires this, so it is not discretionary spending. Bill will compare what the costs would be to stage the work over three years or do it all in one shot.

Other costs: \$150K capital renewal in years 5 through 10. It remains unknown whether pumps and air conditioning units will need to be done. Capital expenses will be at least \$700K over the next 10 years. It is recommended that 4% of the replacement value of the building should be put away for these costs. Bill ascertained that the average investment is about 1.5%. The replacement cost of 815 today is between \$50 and \$60 million. The budget will need to allow about ½ million savings per year for capital renewal. The amounts are well below what one would typically need to spend on the same items. In NYC it costs about \$40-\$50 per square foot to maintain the building. DFMS averages \$27 and operates at a lower budget because people have tightened their belts.

Ensuing discussion covered the 10-year financial needs, how to plan and budget for them, the escalating cost of building materials and electricity (burning oil), buying in bulk, the absence in the budget for funds to deal with the unexpected.

Linda then introduced Tom Duggan, new in-house counsel who replaces Suzanne Baille, who is at this meeting to discuss leftover renovation issues at the Church Center.

Mary Frances Schjonberg joined the meeting.

### Budget Visioning

Gay facilitated this work beginning with the Summary of Comments from EC committees. Nine issues were the result of the meeting in Quito. Josephine had asked the PB and the PHOD what they thought the priorities should be and each felt they should stay the same. Bishop Katharine opined that 'growth needs action, not sitting in pews.' Bonnie had suggested not losing sight of the structure that is needed to enable sufficient funding for committees and commissions to do their work.

Current priorities were reviewed. Comments were that new occasions teach new duties and that the point is to strengthen structure to support mission. Jon brought up the need for governance and the need to identify priorities to enable achievement/mission. Josephine noted that in two days the Budget Committee would ask for EC's approval of the priorities for the whole church. church about where we will engage mission in the next triennium.

A thorough process identified 5 working priorities:

Four Church Centers:

Mission Leadership

Evangelism and Congregational Life

Advocacy

Partnerships

Administration (HR, facilities, MIS, Operations)

PB - COO

GC (PHOD, Archives, GCO, EC, CCAB)

Communications

Finance

Issues raised in review and discussion included:

- using “church-wide” instead of “national” or denomination when referring to the whole church
- communicating the mission of the Episcopal Church and how the church-wide budget reflects that mission
- whether or not a resolution should recommend that dioceses and congregations embrace the priorities
- identifying sources of revenue to the budget that will support priority work
- requiring some meetings held via web cam to save costs
- the possible use of funds from endowed parishes to help those who are struggling

Recessed the session at 11:05 AM and reconvened it at 4:15 PM with review.

Conversation returned to building issues and questions about how depreciation is reflected in the budget (a non-cash charge). Ideally a reserve would be set aside each year, an additional contingency, for renovation, so when something major occurs, funding is available. An option is to create a capital account for the building, which reduces the total endowment funding available but allows for anticipation of needs. It would be drawn down only for capital expenses. The technology piece of the capital expense is enormous since the phone system needs to be replaced, as do some of the servers in the building.

In the interest of transparency Tom Gossen commented on his personal sense of disappointment about the outstanding issues that were not dealt with as part of the whole renovation.

It was explained that there was a huge issue over the Certificate of Occupancy (CO). When Bill’s company was hired, it was clear there would be a claim against the designer. Many months were spent going through outstanding objections to the C.O. with the city building department holding off until certain tasks were completed. A long list of objections related to the renovation was to be cleared up by the architect and builder. To date 24 different objections have been cleared. Twelve were related to the architect and contractor’s work; 12 were pre-existing conditions, violations that were not paid. As the last item was approached it was learned that the inspection

was not done. Now it has at a cost of \$30,000. The report came in a week ago and was sent to the building department. There have been costs involved with each violation. DFMS contracted with a company that doesn't do a thing except keep abreast of the changes in requirements.

#### Post-Renovation Update

Tom Duggan discussed the situation regarding the change orders during the renovation. When a project is designed, the architect designs the renovation, hires the engineer and the engineer makes the cost estimate and they make up the proposal which the client approves, both costs for components and a total cost. Things change, new ideas arise and change orders are presented and approved by the client. There were 100 change orders, some small and others large. At some point the number of change orders was noted as unusual and a decision was made that DFMS couldn't *not* approve the change orders because the work wouldn't move ahead and an agreement was made that this would be "settled" at the end of the project and adjusted to reflect changes and costs that were the responsibility of the architect and/or engineer. There were over \$1.5 million in change orders, most of which were necessitated by what appear to be faults in the design, some by conditions within the building structure that were uncovered when the renovation got under way, some caused by the fact that the initial work for the approved design and construction proposal was not done thoroughly. It was not a proposal that anticipated the reality for which the structural drawings would have supplied information.

At this time Tom is evaluating what the DFMS position should be, what are the strong and weak claims in order to negotiate a settlement. He has not yet been able to evaluate each of the 100 change orders in order to estimate a reasonable recovery but he anticipates negotiating a settlement and recovery favorable to DFMS. He explained that even if DFMS is correct in its evaluation of fault and responsibility it is expensive to recover in arbitration after funds have been expended. The original contract provided that disputes would go to arbitration. This is not only time consuming but costly but results are uncertain, making a reasonable negotiated settlement the favored option.

DFMS hired the architect who hired their specialty engineers. DFMS hired an owner's representative to oversee day-to-day work. Tom Gossen observed there were significant mechanical and plumbing design errors necessitating additional charges and extra work. Discussion covered various angles of the issue. It was learned that the change orders represented a 5% overage on the project (\$1.8 million).

#### Archives

Pan Adams-McCaslin, Tom Gossen, Mark Duffy, Kurt, Bruce Garner, Bishop Maze, Newland Smith and Gregory Straub were on the Archives Relocation Committee. Pan said since Quito the committee has met 2 times face to face, once in Austin where an offer has been made on some land and a conversation with a congregation that has offered a yoked endeavor. It also met last month in NYC at the ECC with three different fund-raising consultants to get information about fund-raising for the relocation.

Tom Gossen explained the background thinking concerning the inclusion or not of the Archives in the Mission Funding Initiative. Initially there was no plan to include the Archives but now that thinking has changed, that the Archives might attract some major specific gifts.

Mark reported that there is an ongoing and lengthy discussion over the purchase of the land next to St. David's Church in downtown Austin, which is interested in a yoked enterprise with the Archives and with the Rotary Club. The land in question was bought by speculators with no interest in development but great interest in demonstrating (in a healthy RE market) that they want to get their asking price, a sum greater than we the Archives intended to pay. The committee has agreed that the point will soon come when there will be no more conversation but, in the meantime, the agent is optimistic. It could have been bought at \$7.4 million originally. The price is now \$11.4 million. The owners have rejected an offer of \$8.5 million from Archives.

Kurt continued with some background about the reason the Archives exists at its present location, conditions leading to a search for a new location, the anticipated increase in the rent as of January 1, 2010.

Tom G continued. EC approved two different sources of funding to facilitate the task force's efforts, \$150K in each year of the current triennium. In October 2006 AF-040 authorized up to \$2 million from sources to be identified by the Treasurer to move forward looking at the land and doing due diligence. As 2007 ended progress halted because the seller of the land was not responsive, so the \$150K was not spent. It was anticipated the amount would be accrued and carried forward but that can't be done, so **AF-064 was moved, seconded and carried** unanimously, providing: *That resolution AF-040 of October 28, 2006 be hereby amended such that the Archives Strategy Committee be authorized to spend up to \$2,450,000 from sources to be determined by the Treasurer for activities previously approved.*

AF-061, AF-062, AF-063, 65, 66 were **moved, seconded, carried** and placed on the consent calendar.

### Travel Guidelines

Gregory Straub was present for the discussion and a new document was distributed in hard copy. It was clarified that the intent of spending time on this is for review purposes, as management has not reviewed it. A resolution to approve will be presented at October's meeting. It was noted that there is not a policy regarding an unused airline ticket. Kurt explained the process for providing a receipt when one isn't available.

Lori said that part of selecting a new agent is to have the ability to track individuals who don't use tickets, a practice largely found among volunteers rather than staff. The group discussed methods that might deal with a possible buy-back. Vicki pointed out that the current agency has not worked to find the lowest fares. A new agent will clearly need to work to save money.

Question arose whether or not it is necessary for EC to approve the travel guidelines. Gregory noted that it would not be a good idea for EC to relinquish authority to approve them. All members of EC are volunteers and they need to speak for the volunteers of the church who will be bound by the guidelines.

Linda asked whether management could devise travel guidelines for staff alone. It was noted that the guidelines have to do with expenditures of money and EC oversees that. The committee will take comments and bring a resolution forward in October.

### Cost Sharing

There are a number of Episcopal related entities (ERD, ECF, OAO, Episcopal Schools) that occupy space at the ECC from whom costs of overhead expenses are not recovered. They pay for new computers, desks, equipment expenses, etc. but DFMS is subsidizing the offices. A task force in 2004 studied the pros and cons of providing space for those agencies. Even at a below market rental rate of \$27 per sq/ft, some recovery from each agency could be significant. Linda would like to have this looked at again. Josephine chaired the last task force whose task it was to decide whether or not to charge rent or recover costs. That task force concluded that it was beneficial to have the agencies in the building because of cross-fertilization with them. The negatives outweighed the positives at that time. The landscape has changed now that there is a tenant. It was agreed that a re-discussion would have to be done with a task force and include the agencies in the discussion. Common Area Maintenance (CAM) costs are reasonable, Jon thought, but pointed out that Linda and the DFMS are asking for CAM forgiveness from the “landlords” of the satellite offices.

Gay thought the matter ought to be reviewed and that the same answer might not apply to every group. It was agreed that any agency that isn't Episcopal should be charged and that partners in mission (ERD, etc.) should be educated as to cost and asked what they would be willing to contribute. Linda, with ERD Board hat on, said that ERD has substantially grown. There are now HR issues and MIS and finance and mail handling to consider. Noted: DFMS contribution keeps their numbers attractive to donors.

The wisdom of a task force appointed by presiding officers to include others beside A&F was discussed. Kurt pointed out that contributed services appear on the financials for audit purposes \$800,000 for ERD and \$160,000 for other agencies in round numbers.

Josephine recessed the session at 6 PM.

The Saturday session was reconvened at 9 AM. Gay offered a prayer. Present with the group were Chuck Robertson, Bonnie Anderson, Mary Frances Schjonberg, Brian Grieves and Dick Snyder, Treasurer of Navajoland. He was attending to make the presentation to A&F in place of a Navajoland member, who was unable to be present, and brought greetings from Mark MacDonald and Rusty Kimsey from the Convocation happening in Farmington, NM.

He then stated a case for the Navajoland financial need. There is little money to do a lot of work, traveling great distances. DFMS has had a long history in Navajoland providing ministry with the Navajo including healthcare and education. The needs are severe especially after the budget cuts. Vibrant ministries are being done that have been specifically designed over the centuries.

Brian Grieves attended the ECCIM meeting when the proposed resolution was drawn up. He reported that there was a lot of hurt expressed at the meeting, articulated by Bishop MacDonald. DFMS didn't do its job communicating the 5% cut.

Josephine asked whether the request was \$67,432 for all four of the aided dioceses and for the Indigenous Theological Training Institute (ITTI). Jon asked if the removal of the 5% in other dioceses has the same effect as it has had in Navajoland. Bonnie, who had visited in South Dakota, responded that of the diocese's 90 congregations, 77 are located on Indian reservations. She visited the Crow Creek Reservation in the poorest county in the country. She added in Alaska, Ginny Doctor has spoken of the hardships there. Bonnie added that it is difficult to understand how \$67,000 can have such a terrible consequence.

Kurt explained the actual cuts to the various line items for these dioceses. The PB had given \$10K to SD because of the size of their reduction. Chuck Robertson talked about what the discussion needed to focus on regarding the long-term health and vitality of the dioceses. Pan spoke to the cost for travel in these dioceses since they are so spread out. Dick Snyder described the washboard roads and the new Suburban they have that costs more than \$100 to fill the gas tank. Navajoland Staff are the lowest paid domestic salaries in the church doing ministry that needs to go to the faithful Episcopalians who are unable to travel. That service is in jeopardy.

Dennis focused on the cuts done throughout the budget and asked what precedent would EC be setting if these funds were to be restored. Jon asked how it was decided where the cuts would come from and Kurt responded that many places were subject to the reduction. No area was sacrosanct. Josephine explained that A&F passed a budget that went to plenary and that the National Concerns Committee proposed a \$340K increase, funded from short term reserves to give to the 4 center heads to use to restore programs as they saw fit. Jon suggested taking the requested amount from the \$116 that hasn't been designated by the center directors. Brian responded that the \$116 doesn't include what they will spend at the Lambeth Conference marketplace and said a large amount of funding of the ECC at Lambeth will have to come from this fund. He added that the Mission area was grateful to restore some of the line items that had been reduced in travel and anti-racism areas and explained in some detail the proposed plans to use the \$116K.

Discussion explored the use of the funding (EC has to approve new work that is not in the budget), whether or not Brian was talking about new work, that budgetary savings is in non-hiring at the church center. Josephine recalled the resolution adopted by EC said the amended budget would take \$340K to be distributed for additional mission and ministry and asked Brian if the directors had discussed the cuts and restoration. Gay expressed the frustration of being caught in a conundrum: EC and the canons related to the budget are in a pickle. Brian said that the money that has been designated restores funds that were cut. Del pointed out that Gay raised two concerns: one is that EC shouldn't have to be the court of appeals and we want to support Brian and his areas of responsibility. It is confusing that there is a budget cut and restoration, then we approved money out of reserves to restore and now must find a new \$70+K source for this request. An added problem is with the canons: if there is less income available, the canonical expenditures take precedence over the program side of the budget but no restoration

was made to the canonical side of the budget. Hence, the EC vote to restore was a canonical violation.

Jon wondered how much was cut from the canonical side.

EC voted to allocate the money to the 4 center directors to decide, in consultation with management, how to spend it. An option to tell the 4 directors to decide how to spend it was described and opinion expressed that the EC should not abdicate its responsibility to center directors. However, there is a need to restore the canonical side.

Del agreed there are two problems: EC needs to fix the canonical problem. Brian needs to fix the center directors problem. Brian noted that there was also a 5% reduction in Province IX that was restored.

Pan referred to the proposed way of spending money. Most of it is for travel and Dick's presentation focused on the need for travel.

It was agreed: First deal with the request of Navajoland and ITTI. Then deal with the canonical breach.

It was **MOVED** (Bonnie) that \$73,369 be restored to the 4 aided dioceses and ITTI as passed by General Convention. **Seconded** (Vicki). Bonnie spoke to her motion, saying, "We need to do this and we need to do it today and leave it to the Treasurer to say where the money comes from, even if it is from short term reserves." Del wanted to know if what he proposed presented a viable option. Can we pass the motion and deal with where the money will come from later? **Moved (Jon):** table the motion to a meeting at a time certain, after lunch at 1 PM. **Seconded.** Bonnie pointed out that the funding cut from the 4 aided diocese and ITTI was passed in the GC budget.

Linda summarized her understanding that the staff takes the mandate of the group and agrees or not to fund the restoration. Bonnie said, "I would like to go on record as saying that there is something very wrong with having staff determine where the money is coming from for work passed in the General Convention budget. There is something deeply wrong with that." Gay insisted that it be determined if there is new work in the allocated funding from the \$340 K restoration. She added that members of A&F should be meeting with the staff, as this is not solely a staff responsibility, regardless of what was done in Quito.

**Vote on Jon's motion: carried.** Josephine and Jon will meet with the 4 center heads, present at this meeting, and A&F will meet again at 1 PM to consider Bonnie's motion.

Tom **moved AF-067** having to do with assessment of shared costs with related agencies at the church center. **Seconded.** Discussed whether it should be an A&F task group or one of the whole EC. Four years ago it was a group of A&F and staff. After much discussion, it was agreed that one member should be from A&F and another from a different EC committee would serve and that the group will not go into effect until after 2009. The task force will report to the whole EC. **Vote carried the motion.**

### Grants Accountability Task Force

As chair, Vicki reported on the subcommittee that is considering accountability for grant dollars. There are several members of EC in this group who have spoken with a number of staff and recipients of block grants. They ultimately and came up with 7 issues/questions:

- who applies? (go through a process prior to grant proposal, diocese, school, etc)
- what are the elements of the proposal? (what's the program, who is it serving, other sources of income? what's the term? how to move from grants to self sustenance? diocesan reports for 5 years, budgets for 5 years including gifts, companions, other grants and a narrative)
- what's the timing? (deadline for proposal, stick with elements/ stipulations with consistent modeling across the board)
- stated benchmarks (detailed periodic reports, who is monitoring? auditors certified by the TRO)
- who supports at TEC ? (grantees in the past who have done a good job, documented it and can be cheerleaders, nudgers, models, along with the administration)
- who administers? (one officer at TEC handles the relationship, a person who will call to accountability, site visits as appropriate)
- implications for non-response (both parties agree if one reneges there are consequences – no grants for those who don't meet the mutually agreed stipulations)
- and who else is involved? (HOB, so they have a sense of the whole process, and a subcommittee of EC)

Vicki will have a complete report in October. Question arose regarding grants to related agencies and whether or not they fall within the scope of what is being proposed. If the agencies or the grants are small, requests for certified audits can be very expensive. The 'auditor' doesn't have to be a costly CPA, but someone vetted by the Treasurer.

### Subcommittee on Diocesan Commitments

Gay provided a report of the committee on diocesan commitments. The subcommittee recommends that they will continue as a subcommittee with a sunset date in October 2008 with a final report at that time. Gay talked about the El Camino Real restoration plan and whether or not EC should do a resolution commending them for it. Rather than that, a letter from A&F was considered more appropriate and Gay is willing to draft it. Two letters need to be completed that resulted from Quito, a letter to the PB and the HOB Planning Committee regarding having the Treasurer address the HOB; another to the PB and College of Bishops requesting that the Treasurer address the new bishops about the responsibility of their office from the financial standpoint. Bonnie as PHOD did complete a letter to the deputations that are meeting the 21% asking. Gay at GC will be including the 21% asking at the GC orientation. Between now and October the subcommittee will have a conversation with the Budgetary Funding Task Force to see whether or not they are working on the impact of the 10-10-10 stewardship model. They will also investigate more about diocesan reporting practices. Also they'll take a look at EC responsibilities that were highlighted in the memorandum regarding EC's role in terms of being in touch with dioceses. Gay suggested a new idea to explore with A&F: at the beginning of each triennium, every member of EC may be assigned 3 dioceses with whom they would act as liaison for the entire three-year term to include: monitoring and working with the TRO regarding the

21% to develop relationship. The dreaded question is concerning sanctions. The group is looking at considering such items as 1) no church-wide meetings being held in dioceses that don't meet their 21% asking, 2) no new loans or grants will be given to dioceses not paying their fair share with proviso that EC would be arbiters where there are exceptions to the rule.

The mission report to the church was discussed in terms of its format. There is a plea 'out there' for an annual report about what we (dioceses) are getting for the money we are sending. The best model is that of the Lutherans, who distribute a document electronically that is available for download from their website. Portable, easily distributed and the widely disseminated aspect of it really are of value. Tom observed no strategy involved with the method of distributing DFMS's materials. The current format was decided between the Director of Mission and Communication some time ago. Linda pointed out that there is an exercise in diplomacy to arrive at a method that serves all the desires. Jon advocated for a narrative budget on 28 ½ by 11 papers that can go out electronically. Tom said the notice that it is available is really important in our on-line services. A clear strategy of distribution needs to be thought out.

Bonnie said that the report on mission for the triennium is the responsibility of PB&F. The mission/program staff are involved in the development of the document. Del suggested since electronic mail allows you to capture the names and addresses of the people who log on to your site, we need to capture the data as we go.

Betty Jo said that the members in the pew will need to be told that this is happening that leadership (priests) will have to help people go to the web site. Vicki added that ELCA would be the place find out how to do this since they do it so well. Linda said MIS is working to get everything in downloadable shape to print.

Josephine turned to the topic of a request from the Historical Society to be restored as an official agency of the church. Mark was asked to give some of the background as ex officio member of their board and the relationship with the archives. In 1940 the responsibility for the Archives was given to the Historical Society by the GC, which also made the Society an official agency of the church because it was holding the records and was its historiographer. The relationship ended in the mid 1980s. When it ended, the official status was not rescinded and the Society continued to be published in the Red Book. When Anne Karoly came to the GCO, she removed it from the Red Book. The Society is an independent, separately incorporated agency, made up of academic historians and Episcopalians and it is currently concerned over their tax-exempt status, which exists under the group exemption of DFMS. Mark suggested they should get their own tax-exempt number. Archives was taken back into the Church and GC appointed a historiographer, so those rolls have been removed from the Society.

Gay commented that this is a complicated situation and suggested a subcommittee be formed to look at it in consultation with Mark. Is EC the body that says something is or is not an agency of the Episcopal Church? Jon identified this as a Pandora's box as they have \$1.8 million endowment. They were never made an official agency of the TEC. Morehouse simply published them in the Red Book. **MOVED** to appoint a subcommittee of A&F to explore the question of the Historical Society's request. **Seconded.** Comprehensive discussion followed.

**Motion carried unanimously.** Gregory was cited as the likely staff member to support this work. Dennis will work on it and Josephine will appoint someone else.

Gay quoted the by-laws in the EC handbook, “there shall be a Joint Standing Committee on A&F of the Council and the Society which shall report to the EC on the society’s administration, financial, budgetary matters assigned to it.” She raised the matter because A&F doesn’t do much with the ‘A’ but does a lot with the ‘F’ and she is concerned that A&F discharges its responsibility appropriately. Josephine invited discussion and comments.

Kurt, noting that the ERD Board approves their HR policies and some gray area about where the travel guidelines should reside, suggested taking time to identify administrative things that A&F actually should do. Boards typically do HR policy review. Lori recalled that there was a person from A&F appointed as liaison to the HR department and HR committee. Discussion explored ideas about a personnel committee, avoiding micromanagement, whistle blower activity for A&F, reviewing issues of diversity and strategies related to them and other strategic matters. Comment was made that almost every other place in the church center has this kind of relationship and board oversight but that HR does not, making it an isolated unit at the church center without relationship to EC. Gay said it might be time to consider a review of how A&F functions. Bonnie added that it was appropriate for A&F to mount a review of responsibilities and to amend the by-laws to fit what the review of the structure yields. It was **moved** that the Executive Council requests the presiding officers to appoint a task force to review the Executive Council by-laws, including but not limited to the internal structure of the Executive Council, its standing committees and scope of work and provide a status report back to Executive Council at the January 2009 meeting. **Seconded.** After added discussion, **motion carried unanimously.**

This session was recessed at 11:55 AM and reconvened at 1:00 PM after Josephine and Jon had had a luncheon meeting with the 4 center directors. Brian thanked A&F for allowing him and Linda to meet with their colleagues concerning the (Navajoland/ITTI) issue regarding the restoration of the \$340,000. There was unanimity in their deliberations to restore the \$73K from the dollars passed in Quito. Josephine thanked Dick Snyder for being present and for waiting to hear the conclusion of the deliberations.

Gay raised the matter regarding personnel as it relates to the work of the task force that will study the scope of the work and the by-laws, which may take up to a year to do. Gay asked if it would be helpful to have 2-3 members of A&F to serve as an advisory committee for Linda in the meantime. Linda and Lori had talked about having some A&F members available to work on the “A” part of A&F specific to various elements of administration at the church center. Josephine will appoint after talking more with Linda. With thanks to everyone, Josephine adjourned the meeting at 1:15 PM on June 14<sup>th</sup>.

Respectfully submitted,

Nancy Caparulo  
Staff Support to the Committee