

AGENDA
DIOCESE OF PENNSYLVANIA FINANCE COMMITTEE
MONDAY, OCT. 19, 2015, 6:30 p.m., CHURCH OF THE REDEEMER, BRYN MAWR, PA.
Conference Room 1ST Floor

Committee members present: Eric Rabe, Chair, Nora Adelman, The Rev. Dr. Charles Flood, The Rev. Adam Kradel, John Loftus, Pat Smith, The Rev. Deirdre Whitfield

Ex officio present: James Pope, Treasurer; Rob Rogers, Canon for Finance

Committee members not present: Ann Booth-Barbarin, Elise Bowers, The Rev. Carolyn Huff, The Rev. George Master

Ex officio not present: The Rt. Rev. Clifton Daniel, Bishop; Cliff Kozemcek, Representative from Church Foundation; Margaret Ullman, Representative from Commission on Clergy Compensation and Employee Benefits

Guest: The Rev. Lucy Amerman, Canon to the Ordinary for Pastoral Services

Opening Prayer – Eric Rabe

Welcome to The Rev. Deirdre Whitfield, new member from Standing Committee.

For Discussion: Following the discussion at last month's meeting by Margaret Ullman on General Convention Canons requiring parity for clergy and lay employees and the impact of that change on the Diocese of Pennsylvania, the Chair invited The Rev. Lucy Amerman, Canon to the Ordinary for Pastoral Services, to provide an update.

Open Enrollment. October 21-November 6, the Diocese is having open enrollment for current employees. This is being done presuming the parity provision will pass at Convention on November 7 – which will bring our Diocese into conformance with national church canons. Those clergy with current letters of agreement for benefits will be grandfathered. When those letters expire upon turnover of clergy positions, parity with lay employees will apply. The Diocese will present several plans as possibilities – all less rich than previous benefit plans and all encouraging employee participation in their own health plans with copays. The Diocese set a minimum level of coverage for employees – the equivalent of the lowest high deductible health plan combined with a health savings account equals \$8616 per person. Specifics are on the Diocesan website. Diocesan clergy and lay employees have, for the past five years, received parity in benefits (single coverage at the minimum amount, and staff pay a percentage of premiums).

Health insurance rates increased around 6% for the Diocesan plans for 2016.

The Retired Clergy Medical Insurance was set up to pay the difference between two Medicare supplemental plans. Those over 80 and those who are disabled will continue to be covered. This coverage will go away for all others in 2016. The administration of this plan will be done by the Diocesan office starting in 2016.

For Action:

Consent Agenda -**Minutes of September 2015 meeting of the Finance Committee (The Rev. Charles Flood made a motion to approve the minutes as distributed, seconded by James Pope - all in favor, none opposed or abstaining).**

RESOLUTION: The Rev. Adam Kradel made a motion to approve the following housing allowances for 2016, seconded by John Loftus, all in favor, none opposed or abstaining:

| Employee | Housing Allowance |
|------------------------------------|--------------------------|
| Bishop Clifton Daniel | \$60,000 |
| Rev. Nancy Deming | \$16,944 |
| Rev. Lucy Amerman | \$42,000 |
| Rev. Renee McKenzie Hayward | \$24,000 |
| Rev. Carol Anthony | \$28,000 |
| Rev. Jose Diaz Martinez | \$25,000 |
| Rev. Doris Rajagapol | \$20,000 |
| Rev. Sarah Hedgis** | \$16,500 |

*Effective Aug. 31, 2015. Rev. Hedgis is a former lay employee who has been ordained.

Open Assessments and Pledges – Seating at Convention. Churches must be in good standing to have seat and vote at Convention. Finance Committee has a petition from one church, St. Paul’s, Elkins Park. **See attachment A, below. The Rev. Adam Kradel made a motion, seconded by The Rev. Charles Flood, to accept the request from St. Paul’s Elkin’s Park to be seated at Convention in November with voice and vote, provided they make a minimum payment of \$500 before Convention. (5 in favor, 2 opposed, 1 abstention) The motion carried.**

Discussion:

-There are a few weeks until Convention –Rob noted the list will change between now and Convention.

-The Canons say that those who have not paid assessments by June 1 do not get voice and vote at Convention – the list of those who have not paid the Episcopate Assessment goes to Convention for consideration

-Rob will contact the parishes that have made no payments to indicate they will be identified at Convention. He will circulate a list to the Finance Committee on November 5.

d. Role of Diocesan Council in the budget process. Under the Canons of the Diocese, the Finance Committee as responsibility to “direct the process of forming a single budget for the diocese” including determining projected expenses “to support the missions and ministries of the Diocese.” See: http://www.diopa.org/wp-content/uploads/constitutions_canons/2014-Canons.pdf. (Canon 4.6 describes the Finance Committee in general and Canon 7.2 describes the budget process.)

There is no formal budget role for Diocesan Council; however, since it is an elected body from across the Diocese, Council seeks a formal role in the budget process. The Budget Subcommittee has routinely sought help developing the budget from the Bishop, Council, Standing Committee, and others in the Diocese.

The Finance Committee suggested that the Budget Subcommittee work with Diocesan Council to establish a process of funding mission work and grants to parishes within a

determined budget dollar amount as part of the 2017 budget preparation process (to begin in early 2016). This would simplify the process for parishes since it has not been clear where requests should be made for grants and for other assistance (Lines 57-73 and 94-100 in 2016 total \$173,129). There was a suggestion that the process also include conversation with the Church Foundation Investment Committee about disbursement rates – which could create additional funds for mission and ministry. The Finance Committee Chair and Vice Chair (Eric Rabe and Adam Kradel) will speak with the vice chair of Diocesan Council, Joy Segal.

- e. **Incorporation Resolution.** The Diocese has never been incorporated in its 325-year history, but a resolution to explore the possibility is being proposed to Convention for 2015. See **attachment B, below**. The resolution calls for exploration of the possibility of incorporation in advance of the 2017 Diocesan Convention so a resolution can be presented then. The entire governance structure would be reviewed in this process. New York and Chicago are among the dioceses that are incorporated, with two different models. Part of the resolution is to engage a consultant with expertise in this area.

RESOLUTION: The Finance Committee endorses approval of the resolution to explore the advantages and disadvantages of incorporating the Diocese of Pennsylvania (motion by John Loftus, seconded by James Pope, all in favor, none opposed or abstaining).

- f. **St. John's, Norristown Assets.** **Attachment C** is a resolution drafted by the Chancellor to provide options for the use of the resources of St. John's Norristown, a parish that has suspended operations and is under the direct management of the Diocese. Under Canons, all assets are to be transferred to the Church Foundation. This resolution allows for flexibility in the use of these assets to further the mission of the Diocese. The resolution is drafted for Standing Committee approval. Standing Committee requests Finance Committee recommendation.

RESOLUTION: The Finance Committee encourages Standing Committee and the Bishop to approve the resolution regarding use of the resources from St. John's Norristown as drafted by the Chancellor in Attachment C. The Finance Committee expressed gratitude to the vestry of St. John's for their stewardship of the buildings and ministries (motion to approve by James Pope, seconded by Adam Kradel, all in favor, none opposed or abstaining).

- g. **St. John's Norristown Lines of Credit.** St. John's has lines of credit in the amount of approximately \$260,000 requiring monthly payments of some \$2000/month. The parish has an endowment approximately \$700,000 as of June 30, 2015. Now that the parish is no longer operating, these lines of credit are no longer necessary.

RESOLUTION: The Finance Committee approves liquidating sufficient collateral from the endowment of St. John's Norristown to pay off lines of credit used in the management of parish finances while the parish was operating. The Canon for Finance is directed to proceed with this matter at the earliest convenience (motion to approve by The Rev. Adam Kradel, seconded by Pat Smith, all in favor, none opposed or abstaining).

Discussion of Reports

- a. Financial Statements – Rob Rogers – statements have been distributed. Concern about monthly spending continues.
- b. Treasurer’s Report – James Pope, Treasurer – The balance sheet continues to be robust, but there is continuing pressure on operations.
- c. Standing Committee Report – Pat Smith, The Rev. Deirdre Whitfield – Recent meetings included review of property recommendations from Finance Committee and work on the bishop search process.
- d. Subcommittees
 - i. Budget – The Rev. Adam Kradel – Pre-convention meetings included lots of questions about the Cathedral, diocesan offices, and the apartment building; questions about grants; unspent accrued interest and trust income – were they designated or undesignated memorial donations?
 - ii. Investment – no update
 - iii. Parochial Relations – workshop on October 3 – around 100 attended, lots of questions
 - iv. Property – **Consistent with the Property Subcommittee recommendation, James Pope made a motion, seconded by John Loftus, for proceeds from the sale of All Saints Collingdale to be deposited into the Diocesan Property Fund account to assist in operating properties – all in favor, none opposed or abstaining.**

Other business

The Rev. Deirdre Whitfield noted that she prepared a resolution for Convention regarding St. Mary’s Chester, seeking clarity about access to funds that are available from the Diocese for a parish that is neither a congregation nor a mission. She noted that the process needs to be clearly articulated so parishes know how to proceed. She wanted the Finance Committee to be aware of the resolution.

John Loftus expressed appreciation to the Finance Committee for its work this year as the changed structure has been fully implemented after the Canonical change a few years ago. Committee members expressed appreciation to John for his work with parishes.

Closing prayer – The Rev. Deirdre Whitfield

Eric Rabe, Chair

Nora Adelman, Secretary

Attachment A:

From: Rev. Paul DeWitt Reid [<mailto:paul@stpaulselkinspark.org>]
Sent: Wednesday, October 14, 2015 8:25 AM
To: Clifton Daniel
Cc: Nancy Deming; Rob Rogers
Subject: Parish Diocesan Assessment and Audited Accounts

Dear Bishop Dan,

We are writing to let you know that despite our push to improve the state of our finances and accounts, we will be unable to pay our assessments and to provide an audit of our accounts this year. The good news is that our viability as a parish and our missional reconnection to our local community continues to improve since August 2011, when we were about to close. We have not touched our remaining endowments (approx. \$50K restricted Church Foundation plus \$50K unrestricted mutual funds) since March of 2012. Our 2 volunteer bookkeepers continue to work under the direction of our accountant on our QuickBooks accounts to uncover Capital improvements and repairs that were mistakenly attributed to Expense accounts over the past decade, so that fully audited P/L and balance sheets can be produced.

Further good news includes our forthcoming, ambitious Old York Road to Freedom exhibition, our hosting of the Montgomery Deanery Community Meal feeding ministry, and our Rector's considerable work on behalf of our Deanery and Diocese.

Meantime, attached are two documents, a September 30th Operating & Capital Accounts Financial Summary (with annual history), and our full September Management Operating Account Spreadsheet (which does not include capital repairs/upgrades).

We ask that under these circumstances, the convention grant us voice and vote next month, and at our special convention this spring to elect our new Bishop.☐

In Faith, Candace Majors, Rector's Warden; Danielle Taylor, Accounting Warden; Rev. Paul D. Reid, Rector;(Signed Hardcopy letterhead to follow)
Copies: Canon Rob Rogers, Rev. Nancy Deming

Two attachments:

Sept. Operating Financial Statements
Sept. Combined Financial Summary

Attachment B:

DIOCESE OF PENNSYLVANIA
232nd CONVENTION
NOVEMBER 7, 2015

R-_____

Designated contact person for this resolution:

Name: The Rev. Kathryn Andonian Email: revkathy@churchoftheholyspirit.us
Phone: 610-812-9742

TITLE: RESOLUTION TO INVESTIGATE INCORPORATING THE DIOCESE AS A PENNSYLVANIA NOT FOR PROFIT CORPORATION

RESOLVED: In order to improve our ability to operate efficiently and ensure maximum use of our resources for mission and ministry, the Convention authorizes the Standing Committee and Bishop to initiate a *Working Group* tasked with investigating the incorporation of the Diocese of Pennsylvania as a not-for-profit corporation. This will include: 1) reviewing the various canonical and by-laws choices made by other incorporated Dioceses; 2) discerning the options for incorporation that may be appropriate for use in this Diocese; 3) determining a process for implementation of all necessary changes for incorporation; 4) identifying needed changes to the Constitution and Canons in order to facilitate incorporation; 5) developing necessary canonical changes and accompanying materials to be presented to the 233rd Convention for review and approval.

RESOLVED: That the *Working Group* shall be comprised of the Bishop, the Chancellor, one or more representatives from the Standing Committee and representatives from Diocesan Council, Finance Committee, the Committee on Canons, and the Church Foundation. Others may be added as approved by the Bishop and Standing Committee. The *Working Group* will thereafter consider the materials already gathered and reviewed by the Chancellor and the Standing Committee, the advice of outside counsel retained by the Diocese in connection with the matter, identify those elements which they believe might be most useful to this Diocese, and, from there, prepare and identify potential constitution and canon changes and/or recommend by-laws that could be used following incorporation.

RESOLVED: That the goal of this work is to streamline and improve governance structures in the Diocese, improve transparency, ensure that each governing body has assigned clear areas of responsibility and tasks and are given the tools by which to perform their obligations, and otherwise to improve the mission and life of our Diocese.

RESOLVED: The *Working Group* will provide opportunities for the wider Diocese to review and provide input before the pre-convention meetings relating to the 233rd Convention in 2016.

EXPLANATION: Over the past several years, significant conversation has developed among the members of Diocesan Council, Finance and the Standing Committee regarding incorporation of the Diocese in order to make its operations more efficient and to ensure that our governance structures are set up to allow for maximum transparency and clarity of responsibilities and goals. In particular, the following benefits would be realized through incorporation:

- An efficient and effective governance structure, with clear roles in accordance with the canons of the The Episcopal Church and the Diocese of Pennsylvania, and in keeping with the best practices of other nonprofit organizations.

- Increased clarity in terms of authority, responsibilities, and interdependence among and between the various governance boards and committees.
- Increased ability for Diocesan governance to respond to emerging needs, opportunities, and issues, to address budget and spending requirements make adjustments to budget allocations.
- Increased legal protection for the Diocese, its officers, and governance bodies.
- Growing ability to focus the time and talent of volunteers on mission and ministry, rather than on administrative and organizational duties.

Significant investigative and preparatory work needs to be accomplished in order to present to the 233rd Convention a recommendation and the accompanying Constitution and/or Canon changes necessary to restructure as an incorporated not-for-profit.

It is the goal of this Resolution to have the 233rd Convention discuss, debate and vote on whether to incorporate and to adopt the structural and/or canonical/constitutional changes proposed by the Committee after seeking the input of the Diocese at the pre-convention and Deanery meetings outlined above.

REFERENCES:

Submitted by:

The Rev. Kathryn Andonian on behalf of the Standing Committee

Ms. Deborah Brown

Ms. Jane Cosby

Mr. Mac McCausland

Ms. Patricia Smith

Mr. Paul Yaros

The Rev. Hillary Raining

The Rev. Deidre Whitfield

Attachment C:

RESOLUTION

In accordance with Canon 13.4, the Standing Committee has been apprised that the Vestry serving the Parish known as St. John's Norristown has expressed its desire to relinquish its trust over the assets owned by St. John's Norristown, which it holds for the benefit of itself and the mission of the Diocese and Episcopal Church, and of other facts which make clear that the Parish has disbanded and is no longer capable of corporate action.

Accordingly, pursuant to Diocesan Canon 13.4, the Bishop and Standing Committee hereby declare that the Ecclesiastical Authority of this Diocese shall be trustee of any and all property vested in St. John's Norristown, whether those assets are tangible or intangible, in existence today or which might arise in the future.

Pursuant to the provisions of Canon 13.4, the Ecclesiastical Authority shall henceforth have the authority, with the consent of the Standing Committee, to take such steps as may be legally necessary or proper to vest all such property, real or personal, in The Church Foundation, under the same trusts under which it had been held by St. John's Norristown. In the event that the Ecclesiastical Authority determines that there are no trust instruments governing the assets held by St. John's or, if in the judgment of the Ecclesiastical Authority, the purposes of such trusts have become impractical of execution, then the Ecclesiastical Authority shall cause the property to be vested in the Church Foundation pursuant to the terms of such additional or different trusts as may be declared by the Ecclesiastical Authority by and with the approval of the Standing Committee.

Nothing contained above shall prevent the Ecclesiastical Authority from the current efforts underway to allow for an organized transfer of control over existing Parish assets in order to ensure that Parish assets are all properly accounted for, consolidated and examined so that any transfer of said assets to the Foundation can take place at such time as causes the least disruption. The Ecclesiastical Authority shall make available to the Standing Committee routine accountings of St. John's assets upon its request but, in any event, at least four times during each calendar year until the Parish assets are vested in the Foundation pursuant to trust instruments approved by the Bishop and Standing Committee.

Explanation of Attachment C:

Canonically, when a parish closes, we are to vest its assets in the Foundation pursuant to the original trust instruments or, if those instruments declare a purpose that can no longer be met, pursuant to a new goal adopted by the Bishop and Standing Committee. The real brilliance of Canon 13.4 is this: we leave the corporate entity in place (e.g., everything still belongs to St. Johns, a PA corporate entity) and there is nothing in the Canon that causes the assets to "escheat" to the Diocese.

Accordingly, if there is some horrible asbestos clean up lawsuit looming out in Norristown, it can be filed against St. John's and the liability will be limited to the assets of St. John's – and it will be difficult for any plaintiff to claim that the Diocese is now the owner and its assets are also on the hook.

However, Canon 13.4 requires that all assets be transferred to the Foundation. The final paragraph of this resolution is written to provide time for an organized gathering and accounting of assets and make decisions about next steps including the possibility of using the St. John's assets to further the mission of the Diocese, for example, to transfer some or all to a new or another parish.