

DIOCESE OF PENNSYLVANIA FINANCE COMMITTEE MINUTES
THURSDAY, MARCH 21, 2013, 6-8 p.m.
REDEEMER, BRYN MAWR

Present: The Rev. Kirk Berlenbach, Chair, Nora Adelman, The Rev. Frank Allen, Ann Booth-Barbarin (on phone at start), The Rev. Dr. Charles Flood, Bruce Givnish, The Rev. George Master, Eric Rabe, George Vosburgh

Ex officio present: Norman McClave, Treasurer; James Pope, Church Foundation; Robert Rogers, Canon for Finance

Not present: The Rt. Rev. Clifton Daniel, The Rev. Adam Kradel, Jo Ann Jones

Opening Prayer (6 pm) – The Rev. Kirk Berlenbach

Silent Reflection: How will what we are doing affect or involve people living in poverty? (6:02 pm)

For Action: (6:03 pm)

- Consent Agenda – **Minutes of February 26, 2013 - A motion was made by Norman McClave and seconded by The Rev. Frank Allen to accept the minutes as distributed (8 in favor, none opposed, 2 abstaining – Nora Adelman and Eric Rabe since they were not present at the February meeting).**

Discussion: (6:08 pm)

- Adjustments to the 2013 Program Budget – Kirk distributed materials from the Budget Subcommittee, noting that if no additional pledges come in, there is a \$50,000 reduction needed. The Budget Subcommittee recommends splitting reductions equally between diocesan programs and the pledge to The Episcopal Church. First the Subcommittee looked at budgeted funds that are not projected to be spent in 2013; second for programs/ministries that impact small numbers of people; third for ministries and programs for which funds might be raised from other sources. Following significant discussion of the options and amounts that might be reduced in various line items, the group decided to hold the decision until Ann Booth-Barbarin arrived at the meeting in person (she was participating by phone for the beginning of the meeting, but it was not a speaker phone, so her comments and questions could not be heard by the committee). After Ann arrived in person, **the group recommended reducing the following line items in this order, with restoration in the opposite order:**
 - **Line item 91 –Publications: \$11,806 budgeted, \$10,000 of which is Where it All Began – reduce by \$10,000**
 - **Line item 113 - Anti Racism - reduce by \$2000**
 - **Line item 82 – Camp scholarships – reduce by \$5,000– if needed to make up the difference, rector’s discretionary funds could be asked to fill the gap**
 - **Line items 46-59 - \$8,000 in aid to congregations (total of \$129,000 budgeted) – meaning a reduction of 6.2% of each award (this is affecting the grants to parishes in need but not the DCMM vicars) - reduction of \$8,000**

- **Reductions would go into effect April 1 if no additional pledges come in. A motion was made by Bruce Givnish and seconded by George Vosburgh to call the question – all in favor, none opposed or abstaining. A motion was made by The Rev. Frank Allen and seconded by Eric Rabe to make the reductions listed above, in the order listed – 9 in favor, none opposed, 2 abstaining (The Rev. George Master and Ann Booth-Barbarin).**
 - Several committee members volunteered to work with Kirk Berlenbach to draft the Finance Committee’s letter to the diocese, to be distributed in electronic and hard copy early next week. The letter will include specific amounts for reduction, and mention that 45 parishes have not pledged to date.
- Diocesan investment in the Cathedral Development Project (6:40) – The Rev. Frank Allen distributed materials describing the finances of the Cathedral development project, which included the possibility of the diocese investing \$1.6 million in the apartment building. It is projected that the investment would yield a 15% preferred return when the apartment building is sold after the project is completed. The apartment building is scheduled to open by September 2015, presuming ground is broken in fall 2013. The office space for the diocese and cathedral is not part of this diocesan investment. Points of the discussion included:
- The land to be used for the apartment building is the “garden” at the corner of 38th and Chestnut and the two brownstones that are to be razed.
 - This is a way to support the Cathedral and get funds back that were invested in other business choices; there are risks, as with all investments, but it seems prudent.
 - This is a purely commercial project that vastly improves the value of the land and provides income to the Cathedral in the future. The development project is intended to help the Cathedral’s viability in the future by providing funds for capital needs of the 1906 church building (and mitigating the need for future diocesan subsidy of the Cathedral).
 - Where would the Diocesan investment come from? There is potentially enough available from the Consolidated Fund held by Church Foundation. Skilled investors would need to prove the investment merits of the case. Another option is to obtain a mortgage on Church House, which would be repaid when Church House is sold.
 - Timing? The cash is not needed until mid-late May 2013.
 - Additional investor equity of \$25-30 million is needed for the project. A Diocesan commitment of \$1.6 million, demonstrating our commitment to the project, would help with obtaining the additional funds.
 - The Finance Committee is being asked to make a recommendation to Standing Committee and the Bishop Provisional on the Diocese investing in the Cathedral project. **A motion was made by The Rev. George Master and seconded by The Rev. Dr. Charles Flood to recommend the Diocese invest in the Cathedral project, with funding to come from sources appropriately vetted by investment advisors. (9 in favor, 2 abstentions due to conflict of interest from service on the Cathedral Chapter or project committee – Norman McClave and Eric Rabe).**
- Church House Employee health care cost sharing Update (7:00) – At the last Finance Committee meeting, staff were excused during the discussion of Church House employee

benefits. Rob Rogers stayed in the meeting for this month's update. Kirk has discussed the possibility with the Committee on Clergy Compensation and Employee Benefits (CCCEB), and that group expressed support for the process. The proposal is for initial change in 2014 with a 2 year phase-in period for whatever goal is set, with a deadline of January 1, 2016 when parity provisions go into effect fully. The group agreed that this was a reasonable course of action and will have additional discussion at a future meeting.

- Conflict of Interest Statement Update (7:05) – will be revisited at next meeting (James Pope and Ann Booth-Barbarin are working on this).
- Centralization of Grants/Loan Process (7:10) – This was discussed by the Finance Committee a few meetings ago, and also at Standing Committee last month. The goal is for all to know where to go for financial assistance in a coordinated application and approval process. Diocesan Council ratified the notion discussed at Finance Committee of a committee consisting of members of the three bodies that would receive all applications for any aid, conduct due diligence, and make recommendation to the body that is responsible for the particular funds (loans to Diocesan Council, program budget grants to Finance Committee, and grants from property and other funds to Stand Committee). This could be time consuming and detailed work; the group would work closely with the CFO in reviewing the applications. Bruce Givnish and Norman McClave volunteered to serve in this capacity.

Discussion of Written Reports/Updates: (7:15 pm)

- Treasurer – Norman McClave, Treasurer – How can we move the parishes that have not yet pledged?
- Financial Statements – Rob Rogers, Canon for Finance – Program Budget performance is close to budget, and Episcopate is under in expenses. Audit field work for the Diocese is complete; affiliates are to begin. An actuarial study has been ordered for the Health and Welfare Trust.
- Standing Committee- The Rev. Frank Allen – Standing Committee accepted the Finance Committee's recommendation to consolidate small funds and approved a \$60,000 grant for 2013 to Church of the Advocate for current needs.
- Diocesan Council- The Rev. George Master/ Mr. George Vosburgh – There has been a deficit budget for a number of years, with no repercussions. This is a new day in the Diocese, with the reality of financial pressures being spoken honestly and clearly. There will be need to be patient and sensitive, and to explain and re-explain.
- Church Foundation- Mr. James Pope – The 2013 spending rate is again 4.5%. Since the value of the assets is up, the dollars to be distributed will also be higher even though the percentage is the same as 2012.
- Subcommittees:
 - o Budget – The Rev. Kirk Berlenbach – the subcommittee has been discussing what is required to run the diocese and has suggestions about some things that belong in the Episcopate budget since they are core to the operations. This would mean moving a few items into the amount covered by the mandatory Episcopate assessment. The net result would be spreading the cost of doing business over all parishes, not only those that make voluntary pledges. Rough estimates are around a 12% increase per parish in

the mandatory assessments, and the move would be phased in over several years.

Among the items to be moved would be the following, in this order:

- Diocesan Convention – a pass-through of \$10,000
- General Convention - \$15,000 in 2013, \$20,000 in 2014
- Part of the finance department \$100,000
- Province III dues of \$9,000
- Audit costs of \$47,500
- In addition, the Absalom Jones Festival would be moved from Episcopate to Program Budget (\$5,000), and there is an increase in the market rate for Bishop's salary and benefits (\$65,000 increase in Episcopate budget)

The overall net result would be an increase of \$246,000 to the Episcopate budget and the possibility of an offset of \$140,000 due to Retired Clergy Medical Assistance cost savings (which would require a decision by CCCEB or a Canonical change by Diocesan Convention). Standing Committee sets the Episcopate Budget for the following year in its April meeting.

- Diocesan Audit – covered in the financial report
- Insurance – starting the renewal process. The current Diocesan program has good coverage and rates. Church Insurance has been contacting some parishes, which could lead to adverse selection. The Insurance Subcommittee was urged to reaffirm the Insurance Guidelines for parishes developed a few years ago.
- Investment – the subcommittee has met.
- Parochial Relations – no meeting since the last Finance Committee meeting.
- Property – working on Wapiti.
- Gathering of Diocesan Leaders – discussion of Cathedral project.
- Diocesan Consultation Team – discussed Church of the Advocate's annual budget and capital needs, with the possibility of a case study for exploration of new models and approaches to continue good ministry with physical plant challenges.

Other business: (7:55 pm) - none

Reflection: How will what we are doing affect or involve people living in poverty? (7:56 pm) – Committee members shared their thoughts.

Closing Prayer (8 pm) – The Rev. Kirk Berlenbach

The Rev. Kirk Berlenbach
Chair, Finance Committee

Nora Adelman
Secretary