

DIOCESE OF PENNSYLVANIA FINANCE COMMITTEE

MONDAY, SEPTEMBER 15, 2014, 6:30 p.m., CHURCH OF THE REDEEMER, BRYN MAWR

Committee members present: The Rev. Adam Kradel, Vice Chair, Nora Adelman, The Rev. Kirk Berlenbach, Ann Booth-Barbarin (by phone part of meeting), the Rev. Dr. Charles Flood, John Loftus, The Rev. George Master, Eric Rabe (by phone part of meeting), Pat Smith

Ex officio present: Rob Rogers, Canon for Finance; James Pope from Church Foundation; Margaret Ullman from Commission on Clergy Compensation and Employee Benefits

Committee members not present: Elise Bowers, The Rev. Carolyn Huff

Ex officio not present: The Rt. Rev. Clifton Daniel, Bishop; Norman McClave, Treasurer

Guest: The Rev. Nancy Deming, Canon to the Ordinary for Congregational Care and Development

1. Opening Prayer – The Rev. Dr. Charles Flood
2. Welcome new member, Pat Smith, from Standing Committee and guest The Rev. Nancy Deming, Canon to the Ordinary for Congregational Care and Development
3. For Action:
 - a. Consent Agenda (these items will be approved in one action, unless any committee member wishes to have discussion of any of the items, in which case the item will be moved from the consent agenda)
 - o **Minutes of July 21, 2014 conference call – Nora Adelman made a motion, seconded by The Rev. Kirk Berlenbach, to approve the minutes as amended (correction of Carolyn Huff’s last name) – all in favor, none opposed or abstaining.**
4. For discussion: Follow up on work with challenged churches – Report from Canon for Congregational Care and Development – The Rev. Canon Nancy Deming has been in her position since June 23, 2014, and has been actively and busily engaged with congregations that are challenged both financially and around their mission and ministry. Since the Finance Committee has expressed great interest in what assistance is being provided to such parishes, Nancy was invited to share information on her work to date. She indicated that the issues vary from clergy going from full to part time, to churches that realize they are going to be out of money at a point certain, to helping churches to look at overall mission, and to discussions among small churches with part time priests and struggling with their missions discussing yoking with a larger more stable parish that could offer administrative and clerical support to these neighborhoods and struggling parishes. Among the considerations with any of the congregations are the people and mix in the parish, what they are inviting people to join, specific tasks (help with website establishment, setting up computers and accounting systems), and review/discussion of strategies to help them move forward. We are in a sea change as a church, and there is a pastoral piece to all of this as well as a business perspective. With the addition of the diocesan staff role, it is easier to reinforce parishes that raise their hands for assistance. Nancy has been working with the Diocesan Consultation Team (DCT) and its portfolio of parishes. All DCT work is being coordinated with and channeled through Nancy. She noted that many are conflict resolution situations, and there

are good consultants working with them, but that requires dollars the parishes usually don't have at their disposal. Nora Adelman noted that the resolution and document (A Way Forward) are being shared at pre-convention hearings (they were distributed electronically to committee members). They were prepared by DCT, using materials from the Dioceses of Massachusetts and Western Massachusetts, in response to Bishop Daniel's 2013 Convention address. The document has been shared with several Diocesan groups, including Standing Committee and the Bishop, Diocesan Council, and the Gathering of Leaders. There has been general support for this step, knowing that it is a start and will no doubt be modified as it is used. There have also been some concerns expressed, and a desire for specificity in action plans for addressing issues. However, there is also a desire for the Bishop and others to have flexibility in addressing individual situations and not be locked into a "one size fits all" approach. Nancy indicated that Bishop Daniel plans to use the Covenant of Mutual Interdependence with vestries as he does parish visits, as a mirror for churches to hold up what is going well and what could be improved (since no church is "perfect," all have areas that could be better).

Questions, discussion –

- We need to have a sense of what makes a church viable, and face situations that are not, so that we avoid the Diocese being handed the keys and no money to maintain a physical plant.
- We have had a problem being pastoral and practical at the same time. We need to recognize the need to do things differently and confront realities.
- This is a set of criteria as a starting point, with more specific suggested guidelines for internal use by the team that is established to do the work with each parish.
- A lot of times what we are looking toward is empowering the leadership of the congregation, absent a clergy person, to do what needs to be done to move forward – and sometimes they can't take the actions they need to and exercise the needed options.
- Nancy has started working at least a dozen churches whose future is very unclear.
- The DCT proposal, in combination with the Bishop's specifications for meeting Canonical requirements, is an important step. The document for self-financial review quantifies a lot of model practices.
- Opportunity is a key word – we need to look at possibilities as well as challenges.
- We need new and different models of doing church. The world is changing, and church needs to change also.
- Matthew Price from the Church Pension Fund did a model of demographics of churches in the northeast – his analysis is based on data in the northeast corridor – Adam Kradel volunteered to present at a future Finance Committee meeting, and perhaps for the Property Subcommittee as well.
- How can churches be prepared to be attractive to the people who are moving into the city?

5. For Action – continued:

- a. Should churches that are not up-to-date on payment of Episcopate Assessments be seated at Convention?

Rob Rogers indicated that letters were sent by the Secretary of Convention to 94 parishes that had not submitted 2013 financial reviews, and that 12 have responded with the required materials.

Other parishes have not paid their Episcopate Assessments for the past two years, and Diocesan staff are working with parishes to help them understand the Canonical requirement for being up-to-date with Episcopate Assessments. The Canons require churches to notify the Finance Committee 60 days in advance of Convention if they wish to make an appeal.

Emmanuel Church Quakertown is the only parish to date that has made an appeal to the Finance Committee. The Rev. Kirk Berlenbach made a motion, seconded by The Rev. George Master, that, having received the appeal and considered the parish's financial circumstances, the Finance Committee recommend that Emmanuel Church Quakertown be seated at Convention 2014 with voice and vote (all in favor, none opposed or abstaining).

Since this is a different approach from the past, the group suggested informing churches that are in arrears on Episcopate Assessments and have not arranged for a payment plan that the Finance Committee is waiving the 60 day notice but that the parishes must notify Rob Rogers no later than October 10 so there can be discussion at the October Finance Committee meeting about seating at Convention. Finance will issue an opinion to Convention, noting which parishes have responded and which have not – and that those who have made an effort should be seated, but those who have not responded should not. There is a difference between those that truly cannot pay the assessment and those that can and choose not to pay. **The Rev. George Master made a motion, seconded by The Rev. Kirk Berlenbach, to notify parishes that have not paid Episcopate Assessments in full that appeals must be made no later than October 10 to Rob Rogers or to Jerome Buescher, Secretary of Convention (all in favor, none opposed or abstaining).**

The Rev. Nancy Deming was excused from the meeting. Due to technological difficulties with the conference phone, Eric Rabe and Ann Booth-Barbarin's connection to the meeting was discontinued.

- b. "Key man" insurance for bishop – Rob Rogers indicated that the Diocese of Alabama had a policy on its bishop, and when he died, the insurance monies funded the search expenses. Since funds have already been put aside for the upcoming DioPA Bishop search, committee members suggested that this issue be considered by Standing Committee after the new bishop has been elected. The cost would be between \$1,500 and \$1,800 per year for a \$250,000 policy.
- c. Recommendation to Standing Committee re: renewal of lease at St. Paul's Doylestown
The Committee reviewed the materials that were submitted to Standing Committee, and had a number of questions about the relationship between the Church and lessee, and the licensure status of the lessee. **Since the request is for renewal of a longstanding relationship, The Rev. George Master made a motion, seconded by The Rev. Charles Flood, to recommend approval of the lease renewal to Standing Committee (six in favor, one opposed, no abstentions).**

d. Budget update – The Revs. Kirk Berlenbach and Adam Kradel – Savings were projected for 2014, 2015, 2016 for Retired Clergy Medical Assistance (RCMA), so those savings were included in budget discussions for 2015. The Rev. Ed Shiley, chair of the benefits subcommittee of the Commission on Clergy Compensation and Employee Benefits (CCCEB) corresponded with the Budget Subcommittee to note that the 2014 lowering the assessment commensurate with the amount retirees were paying did not account for those over 80 for whom the full amount is paid, or the administrative fees for all retirees as well as dependents under 65. This resulted in an operational deficit for 2014. Since this issue came to light last week, the Budget Subcommittee estimated that an additional \$70,000 is needed in additional income or lowered expenses for the 2015 budget to be balanced. That group suggested lowering some budget lines a bit for at least half of the amount, and increasing the RCMA assessment for the balance. The following suggestions were made to reduce the expenses:

- **Page 3, line 86 – education – at \$10,000, move to \$8,500**
- **Line 91 – antiracism – at \$21,000, move to \$19,000**
- **Line 93 – diocesan history commission – at \$3,409, move to \$2,409**
- **Line 94 – ecumenical and interfaith – at \$9,000, move to \$5,000**
- **Line 114, retired lay medical insurance premiums – at \$70,000, move to \$65,000 based on 2014 expenses to date**
- **Line 124 pledge to the Episcopal Church – at \$300,000, move to \$275,000**

The Rev. Kirk Berlenbach made a motion, seconded by The Rev. Charles Flood, to adjust the 2015 expenses by \$38,500 with corresponding reduction in the expected pledge income as listed above (all in favor, none opposed or abstaining).

The Rev. George Master made a motion, seconded by Pat Smith, to request a grant from the Widows Corporation for the work of the Canon for Pastoral Care (all in favor, none opposed or abstaining).

The Rev. George Master made a motion, seconded by Pat Smith, that Finance Committee recommend to Standing Committee, in the event the diocese receives a grant from the Widows' Corporation in 2015, that those funds be applied to offset expenses of the Canon for Pastoral Care (all in favor, none opposed or abstaining).

The Canons require notification of assessments 30 days in advance of Convention, and those letters are scheduled to be sent by the end of September.

The Rev. Kirk Berlenbach made a motion, seconded by The Rev. George Master, that any savings in budget line 112 (expenses for intake officer) be applied to the mitigation of the RCMA Assessment (all in favor, none opposed or abstaining).

6. Discussion of Written Reports/Updates:
 - a. Treasurer – July report distributed electronically in advance
 - b. Financial Statements – Rob Rogers, Canon for Finance (distributed electronically in advance of meeting) – RCMA and the Property Fund are concerns.
 - c. Standing Committee – The Rev. Kirk Berlenbach/Pat Smith – Standing Committee is giving counsel to Bishop Daniel and preparing for the process of seeking a new bishop. The decision to call for the election is solely Bishop Daniel's. A consideration is whether to seek a Diocesan Bishop or a Coadjutor who would work alongside the incumbent for a specific period. Standing Committee selects the search committee and the transition committee, aiming to identify the best people who represent the diversity of the Diocese of Pennsylvania. After the committees are appointed, Standing Committee steps out of the process until it negotiates the contract with the new bishop. The Maryland property has been written down to \$4.5 million in the audit, and is not being reappraised at this time since property in the area is not moving so the expense of a reappraisal is not prudent.
 - d. Diocesan Council – next meeting Saturday, September 27
 - e. Church Foundation- James Pope – next meeting Wednesday, September 17
 - f. Commission on Clergy Compensation and Employee Benefits (CCCEB) – Margaret Ullman – Premiums for the health plan will increase less than 6%, and there are increased benefits in some areas (infertility treatments, transgender treatments, a larger range of treatments for autism). Open enrollment is from October 6-20 for participants who would like to make changes, but there is no action required if there are no changes. The CCCEB audit had material weaknesses (too much money in one account but funds have been moved to address the issue). The Church Pension Group has been providing monthly financial statements. There will be a new contract due to new ownership by Gallagher Benefits Group, with more checks and balances in oversight.

7. Subcommittees and Other Diocesan Groups:
 - a. Diocesan Audit – Rob Rogers – The Audit Subcommittee met this week with auditors. The DioPa audit was clean. The Diocesan Health and Welfare Benefits Trust had an issue with the census and computation of unfunded liability (input incorrect), which should be approximately the same as last year. Thought it is not yet finalized, there were no significant concerns. The Philadelphia Episcopal Cathedral annual report has been received since it is a subsidiary of the Diocese. **John Loftus made a motion, seconded by The Rev. George Master, to thank Rob Rogers and the diocesan finance staff for their work on the audit and diocesan finances (all in favor, none opposed or abstaining).**
 - b. Investment – Elise Bowers – written update distributed electronically
 - c. Property Subcommittee – The Rev. George Master – Current issues under discussion include a very high assessment by the city of Philadelphia of a church in the city, and parishes without strategic plans for their futures asking to sell property thereby lowering the value of the remaining church and land.
 - d. Diocesan Transition Team – Nora Adelman – the last adaptive leadership workshop for 2014 takes place on Saturday, September 20, 8:30 a.m. – 2:30 p.m. at Brossman Center at the Lutheran Seminary in Philadelphia.

8. Other business: The next meeting will be on October 20, 6:30-8:30 pm

9. Closing Prayer – The Rev. George Master

Adam Kradel, Vice Chair

Nora Adelman, Secretary

Next agenda:

- Discussion of the Property Fund and how to manage unbudgeted maintenance, insurance and care of unsold church properties
- Consideration of Convention seating for parishes that have not paid the full Episcopate Assessments and have not indicated their plans to do so
- Consideration of setting a legal budget for each case and advising Standing Committee accordingly (due to legal expenses being consistently over budget)