

Board of Trustees
Meeting Minutes

All Souls Church, Unitarian
September 28, 2016
7:00 pm

Trustees, Officers, and Staff in Attendance:

Peg Barratt, President
Ken Ambrose, Trustee
Erin Boeke Burke, Board Secretary
Kysseline Jean-Marie Cherestal, Trustee
Phyllis Caldwell, Trustee
Whitney Cooper, Trustee
Rev. Robert Hardies, Senior Minister
Cledwyn Jones, Moderator
Vickie Lindsey, Trustee
Laurie Lester, Membership Secretary
Katie Loughary, Executive Director
Rev. Susan Newman Moore, Associate Minister
John Strongman, Treasurer
Tracy Zorpette, Trustee

Also in attendance: Craig Dylan-Wyatt

Not in attendance: Chuck Dulaney, First Vice President; Anne Bradley, Second Vice President

Reading/ opening: Tracy Zorpette

Amendments to the agenda: Peg Barratt

There were several amendments to the agenda due to absences. The report on membership was postponed because Heather Kramer was ill; Board review of proposed personnel committee structure and proposed amendments to the sabbatical policy were postponed because Anne Bradley was ill.

Minutes: Erin Boeke Burke

The Board reviewed the new process for reviewing and revising draft minutes.

Motion: Ken Ambrose moved to approve the June, July, and August minutes.

Second: Vickie Lindsay.

Vote: The motion carried.

Report on the Church Council: Cledwyn Jones

The Church Council met last Saturday. Attendees received an update on ongoing work from the committees, had a “speed dating” introduction to Church staff, and heard from Rev. Hardies. Rose Eaton gave an update on changes to the database that she has been making with Heather Kramer. Rose Eaton provided copies of instructions for the updated database, and highlighted that in the new structure it is much easier to see committee leadership and membership and contact those members. Going forward, the database will be able to show a historical record of committee membership and leadership, as well as present membership. They also had caucuses of groups by major area: social justice, social, spiritual development. Both the spiritual development and [redacted] groups are interested in ongoing engagement to improve collaboration and cross-fertilization of ideas. They also showed a video on Church work in Haiti that was very moving - Board members expressed a desire for the video to be further shared with the congregation and that the Board will watch it.

Cledwyn also noted the Goals Team needs staff input as they continue to move forward in their work. The Executive Team (ET) will work on getting contact info to Cledwyn to help improve the use of information from the database in the process.

2017 Budget/ Finance Committee Update: John Strongman

The Finance Committee (FC) has met twice in September with Katie Loughary to review informations in preparation for the 2017 Budget and discuss how to present items considered in the Budget that ultimately did not receive funding or received amounts below capability, in order to communicate the trade-offs that are being made to the Congregation.

The Church anticipates a comfortable surplus in 2016 due to the rental income being higher than anticipated, and potentially lower payroll costs. However, 2017 outlook is much more challenging, and it will be difficult to break even. John highlighted several “significant vulnerabilities”:

1. The Budget must add nine months of mortgage payments, starting in April. Depending on the size of the mortgage that will be in the range of \$105,000-\$140,000. This re-raises the question of how much we will be able to pay down before next March, when we roll from paying interest only to starting to pay down the loan. The FC is currently reviewing the amount of pledges outstanding and what pledges we do not expect to collect at all, as well as how much we can realistically collect between now and March.
2. Depending on returns, distributions from the Pfeiffer trust may be significantly reduced or zero.
3. Rental income is uncertain due to the expiration of the DCI school contract in June; the School is not planning to renew once that expires. Katie will try to find another renter but the timing and amount may reduce the amount of revenue during the budget year.

The FC is working on identifying contingency plans if revenues are so reduced and the expenditures go up. They have also had conversations about various reserve funds and how we have implemented those reserves. They will look at the funded ratio and are considering including that information in the Budget to give a clearer picture of where we are.

The first draft of the budget will be unveiled at the October board meeting, and feedback solicited. They will gather public input in November. The Budget will be presented to the Board

at the November meeting for a recommendation on whether to present it at the Annual meeting. The FC will review of the draft budget on October 15, before the October Board meeting. This draft will include a maintenance schedule, but will not have the granular list of actual repairs to as it will not be completed spring (during the 2017 fiscal year). While this information is unlikely to be everything we would like this year, the FC hopes to have more information going forward. Due to the fiscal constraints on the 2017 Budget, we are unlikely to be able to put much in the maintenance reserve.

The Board asked what sorts of situations would call for the church to use the endowment funds. John mentioned two possibilities:

1. Significant deferred maintenance that has not occurred (e.g., window-work, painting the sanctuary)
2. Capital improvements (e.g., installing air conditioning in Pierce Hall)

The last time the church drew down on the endowment was to air condition the sanctuary. John noted that a withdrawal would not necessarily have to be for capital improvements, but would need to be consistent with the terms of the original bequest. The general endowment is not restricted but does need Board approval and review before any disbursement. Last year the board reviewed the terms and requirements associated with each of the endowments. There were concerns about the use of directed gifts for specific purposes, such as pastoral care. There is not a standard on whether directed gifts are additive to the budgeted amount, or allow the church to re-direct general funds to other purposes.

There were also concerns that if the church cannot find fiscal prudence now, what would be able to drive us to it? Given the significant uncertainty and cost of the mortgage, now is the time to find ways to pare back as opposed to being expansive, because otherwise we will be on the road towards constantly drawing on the endowment.

There was also concern about the guidance to the Generosity Campaign. The annual campaign usually focuses on the benefits of giving and feel-good arguments, but there is concern that the congregation needs to know how dire the fiscal position of the church is. The Generosity Campaign message for next year will be two-pronged, and will highlight the significant costs hitting our budget next year and the problem of annual pledges being flat over the last five years.

Significant changes in last few years that have contributed to the current position and 2017 challenges:

1. The mortgage was originally planned for \$1.5m, but is now \$3.5m. Under our original loan agreement, the church was required to pay the balance down to \$2.5m next spring — we no longer have that requirement, but would like to if at all possible.
2. Rentals income is up considerably, but the additional revenue is needed for rising costs such as custodial/ front desk staff, and to make up for the flat pledges. As a result, the revenue has not been set aside for the mortgage.
3. While the congregation was generous about the TCC, pledges and income for the operating budget have remained flat in recent years, while attendance and programming costs have increased by 33%.

John also raised issues for future Board consideration:

1. The capital reserve, both in terms of the nature and policies. All Souls doesn't have one explicitly at this point. Based on savings over the last few years we do have a pot of money that is invested in a CD. There could be a decision to convert that formally to a reserve, but that decision needs to be made.
2. The need for a maintenance plan. The Portland congregation has both a five-year plan and one-year action plan for maintenance; Katie has proposed coming up with a checklist for these items, and will need time to address them properly. The November Executive report on finance will include proposals for how and on what timeline to address these issues.
3. The FC may bring fair compensation guidelines to the November Board meeting; they are still considering whether this is a matter for executive limitations or payroll. There was also a lot of interest in the changes in personnel costs and associated benefits. We need to look at how we compare to fair compensation guidelines. The Board needs to think about where these questions belong. Should it be the finance committee — which has a pretty full slate of agenda items — or new personnel committee? The personnel committee will focus on it, and the finance committee will look at the numbers on the whole.
4. The Audit Committee had its first meeting. It is starting by looking at the issues raised in the 2015 audit. Once the Audit Committee has dedicated a few months on this topic, it will also work on selecting an auditor for 2017 and start looking at issues related to the endowment.

Reports from the Executive Team:

2016 Budget Update: Katie Loughary

Katie walked through the financial statements so far this year. The church is in a good place so far but expenses may not accrue at a consistent rate for the remaining months of the year. Pledge fulfillment is behind where we would want to be at this point in the year. If the church does end the year with a surplus, the funds are available to go into the operating account, possibly in a CD or checking account, as in prior years. The surplus would therefore appear on the balance sheet, but it does not appear explicitly on the budget. Our cumulative surplus over the last several years has given the church about a 5% contingency.

Report on Ministry: Rev. Hardies

Rev. Hardies emphasized that it is the start of a new church year, so the staff is ramping up and working with the lay leaders to prepare. There were a number of highlights.

- Over 1000 people were in the church on homecoming Sunday.
- The facilitated staff retreat went well. Morale seems to be good.
- The next few months will be key for the Reeb Project, and the church has [redacted] people registered to go to North Carolina next month. The NC trip will also involve registering ex-offenders. We received a generous gift from members of the congregation (Stan and Liz Sylhet) to support the Reeb project.

- The Church has made significant advances in the Refugee Support Ministry. The church waited to officially launch the effort until Rev. Hardies came back, but the groundwork was laid earlier this year.
- Cledwyn requested to have an update when new committees are created so they can be looped into the church council work (database, find your ministry fair). The Board noted the value of also checking the weekly as a good way to identify new groups as they form.
- Rev. Hardies is very interested in working with the ET to prepare for the bicentennial, and the Board and ET will need to make time in 2017 for conversations, possibly in a retreat setting, to work on the strategic plan for the bicentennial. The strategic plan will be linked to the Goals. This will be an issue for the next Board, once they get oriented.
- There was a question about membership outreach now that Heather Kramer's hours have been reduced. The church will still be able to hold orientation sessions, and follow-up with people who fill out visitor sheets, but much of this work will have to be done by members of the staff other than Heather.
- A member of the Board asked about changing the format of staff reports, to focus more on the high-level trajectory of the church, as opposed to day-to-day operations issues. Is it possible to reframe reports to focus on how the budget and activities fulfill our church goals?

Report on Administration: Katie Loughary

The new photo directory has been circulated for review; they are still considering whether to print hard copies or be entirely online. Concerns were expressed about how to find active members of the church when they are not the "head of household" so listed under different names.

Executive Limitations Report on Communications: Executive Team, Tracy Zorpette, Vickie Lindsey, Cledwyn Jones

A subset of the Board (Tracy, Cledwyn, Vickie) reviewed the report on the Executive Limitations and provided a written response in advance of the meeting, included in the Meeting documents. The response expressed concern that the ET's report did not properly address the executive limitations as required by policy governance. The group will continue to engage with these issues; there was Board desire to have this be part of an ongoing dialogue about whether the policies of the church are being fulfilled and if the guardrails of the executive limitations are where we want them to be. The Church Council also provided a response to the report that was not really specific to the Executive Limitations, but will be shared. Some of the concerns raised by the Board members in advance of the meeting were about greater specificity in what the ET thinks the requirements mean; without this specificity it is difficult to discern whether the goals are being met or not.

The ET expressed concern that the dynamic between the Board and the ET around policy governance is feeling combative as opposed to collaborative. The Board expressed frustration in receiving reports that do not track with the executive limitations. If delegating authority but holding the ET accountable is the goal of policy governance, how can the ET craft executive limitations reports to achieve that goal? The Board and ET have historically not done a great job of practicing policy governance. How can we get out of the minutiae and focus on the overall

trajectory of the congregation? How can the ET draft reports that provide the Board with the information it needs to ensure that goals are being fulfilled under policy governance? Board members expressed they really didn't want the ET to feel like it was combative, but there does have to be a healthy push and pull between the two groups. It was also noted that an exchange of documents feels less collaborative than a conversation.

There was hope that changing to a model where a smaller team from the Board engages more closely with the ET on a topic throughout the year, and can have deeper dialogue about shared intent would be more productive. There was concern about the amount of time involved to have these dense ongoing conversations and back and forth on each of the executive limitations areas, and still do the other ongoing business of the work. It was noted that each of the executive limitations appears to be an area for potentially improving shared ministry. The goal is to have subsets of the Board to work with the ET on each of the four areas covered by annual Executive Limitations reports, including communication, protection of assets, staff/volunteer treatment, and financial management throughout the year.

For next steps on the Executive Limitations on communications, there will be at least one meeting of the Board representatives, Katie, and Rev. Hardies before the October Board meeting, with additional meetings to follow. The group will then work to identify more steps to go forward.

Ken Ambrose noted that he is still working on formulating ongoing goals and trying to update the bylaws based on the last annual meeting. Eventually he hopes to print a blinder for incoming Board members so they can review in advance and know what documents w use to oversee the work of the church.

Proposed changes to Policy Governance: Tracy Zorpette

Tracy Zorpette, Kysseline Jean-Marie Cherestel, and Chuck Dulaney are going through and updating the policy governance documents for decisions that have not been formalized. They will need to capture additional forthcoming changes associated with the formation of the personnel committee. The Board may decide in the future that it needs more changes to policy governance and executive limitations as we move forward with exploring the specific topics of limitations. There was agreement that the Board needs to start having conversations with the ET about what the policy governance statements mean, and what is expected of the ET to meet those standards. This could involve more extensive back and forth on what information the Board needs to be able to determine if the ET is meeting those standards.

There was significant concern about ownership and management of materials to ensure that adopted formal policies are readily accessible to the Board and the congregation. "Transparency is a real growth area for us" [as a church], and an important goal for the Board. Tracy, Kysseline, and Chuck can bring the changes to-date in October Board meeting, and will continue to work on other changes.

Consent Agenda:

- Beckner Committee Recommendations

- Proposed dates for November and December meetings

Motion: Ken Ambrose moved to accept the consent agenda.

Kysseline Jean-Marie Cherestal second.

Vote: the motion carries.

The Board then went into Executive Session. Following executive session, the Board moved to adjourn.

Motion: Ken Ambrose moved to adjourn.

Second: Kysseline Jean-Marie Cherestal

Vote: The motion carried.

The meeting adjourned at 9:28 pm.