

FUUSE Finance Committee Meeting Notes

September 15, 2008

1. Roll call of members and Board Liaisons

Jim Breeling
JB Gardner
Frank Heffron
Tod Rodger
Russell Tarason
Tish Lewis
Jennifer Morriss

Vote on coffee and/or tea taken. Hopefully we can enjoy some refreshments during our next meeting.

2. **Approval of previous meeting minutes** – meeting notes from 8/15/2008 were reviewed. Frank Heffron noted that revision of the notes should be limited to details – rewriting of events to state something other than what was discussed should not be attempted. Tod Rodger noted that word ‘endowment’ should be replaced by the word “investments” since this is technically more accurate. FC members can review and submit changes within the next 24 hours – after that the notes become final. Chair will submit to the Webmaster for publication.
3. **Work on draft Finance Committee Charter** – Jim Breeling presented draft Charter. Comments were made and version 2 will be prepared and presented prior to next meeting. FC members were encouraged to e-mail any changes to the Chair within next 14 days. Frank Heffron will ask Pat Baker for an electronic version of the Bylaws to assist the FC in preparation of its Charter.
4. **Work on draft Reimbursement Policy** – Tod Rodger worked on draft Reimbursement Policy. FC members had a brief discussion and agreed that any Credit Card policy issues should be addressed in the Reimbursement Policy and not thru a separate policy. Policy will be circulated to FC members thru Chair. Three documents in total – 1) draft policy, 2) draft reimbursement form, and 3) draft mileage log spreadsheet. FC members are assigned the task of reviewing the three documents and participating in e-mail discussion prior to next meeting. FC members agreed upon the goal of finalizing the Reimbursement policy by the next FC meeting in October. This would allow communication of the policy to committee chairs and managers in time to help FY2009 budget execution stay on track.
5. **Work on Budget Policy for Operations** – deferred. Tod Rodger has a draft Budget Policy (operations manual). Policy will cover details of Budget Operations including types of reports generated and frequency of reports. Electronic version of this manual will be obtained and circulated for review
6. **Work on Investment Policy options for Board** - to present to Congregation during October annual meeting regarding use of endowment fund. Reasons for this task are the anticipation of the Society’s desire to formally endorse an Investment Policy to govern the use of Investment Funds in the annual operating budget. Some members of the Society expressed opinions during

the June Annual Meeting that use of Investment Fund money for annual operations should be limited or eliminated entirely. FC members felt that a number of options were possible. There was discussion of whether only 1 option should be presented at the October annual meeting to narrow the focus of discussion. This idea was countered with the sentiment that the Society would respond negatively to the FC or Board “forcing” their will on the Society. Tod Rodger outlined the existing Investment Policy and offered to find the actual document. The existing policy has only been in operation since 2006 and has resulted in using Investment Fund money to balance operating budgets during FY2007 and FY2008 and anticipated for FY2009 (current year). Tod explained the existing policy as allowing for up to 5% of the Fidelity funds and up to 4% of the Vanguard funds (there is approximately ~\$100K in each fund for a total of ~\$200K investments). The original donor of some of these funds still has a role in determining the usage of the funds – Tod explained that the intention was to use ~1/2 of total returns. Tod explained that total return includes interest/dividend plus capital gains. He explained that many non-profit groups use a straight percentage of investment rather than total return because this allows for predictability during years when the rate of total return varies wildly or hits negative numbers. Depending on investments for operating budgets would be impossible if only the interest were used, because during some years the interest may be zero or the investments may actually diminish in total value. Jim Breeling explained that some members of the Society were very fiscally conservative (wanting to keep investments as an endowment not to be touched except in extreme cases) and other members of the Society were more willing to use investments if it presented an opportunity to “grow” the Society and the services it offered the members. Jim Breeling presented the three options for discussion (see appendix). Further discussion by members resulted in general agreement to present the Society only two options at the October Meeting:

Option 1: Keep the existing Investment Use Policy

This option would allow planning a budget that used up to 5% of the Fidelity Fund investment and up to 4% of the Vanguard Fund investment for annual operations

Option 2: Adopt a new Investment Use Policy that would reduce dependency on Investments for Operations over a period of 4 years

This option would allow planning a budget that used up to 5% of the Fidelity Fund investment and decrease use of the Vanguard Fund investment to 3%--> 2%-->1%-->0% over the next 4 years.

Jim Breeling will be tasked in writing a concise version of each option and composing PRO and CON arguments for each option (as well as a simple financial FAQ – frequently asked questions – to help the Society focus its discussion during the Annual Meeting). Some discussion was held on the “binding” nature of either option – if the Society votes to pursue either option – the Investment Policy should be kept for a period of time (3Y versus 5Y versus other time period) and then re-evaluated. This document will be submitted to the Board in time for their next meeting on October 8th. Tish Lewis will take responsibility to create a public announcement in the next newsletter that states this issue will be included in the October Annual meeting.

7. **Mold Remediation** – Jennifer Morris presented the actual budget need for mold remediation from the Building Committee. David Sandman (incoming chair – Building Committee) reported the following:

Mold Remediation – best mold solution	\$4760
Dehumidifiers plus related materials	\$573
Gutters front & back	\$1545
<u>Total</u>	<u>\$6888</u>

Numbers are based on checks issued by Pat Baker (bookkeeper). This expense exceeds the planned mold remediation available funds of ~\$5200. The extra ~\$1600 will be paid from the FY2009 budget for the Property Committee, who needs to determine if their current budget of \$4,000 is enough or if they will need to request a higher budget.

8. **Committee Chairs, Budget Plans and Oversight** – FC members discussed the need to exercise oversight on the Committee budget plans periodically during the fiscal year to avoid serious over-budget expenses and to de-brief the committee chairs on newly identified/unanticipated budget needs. The purpose of this oversight would be to help volunteer committee chairs attain a level of fiscal expertise (if needed), and to offer FC mentorship and expertise in budget planning and execution. A listing of the managers was presented and the FC agreed to address the meeting schedules for the Jan-Feb time frame. Tish Lewis took as an action item for herself to discuss the intention of the FC to hold “budget hearings” with each manager.

Cost Center or Budget Line Item	Manager	Board Liaison
Pledge Income	Butler/Marshall	
Facilities Operations	Tufts	Morris
Office Operations	Baker	Straub
Denomination Support	Ford	Ford
Religions Education Operations	Wootan	
Worship & Minister Operations	Ford	Ford
Program Council	Szarmach	Szarmach
Church Operations	Lewis	Lewis
Music Operations	Doane	Ford

9. **Bookkeeper Role** – deferred. Tod Rodger has prepared a draft Bookkeeper Roles & Responsibilities document and this will be distributed for review by FC members and discussion at next meeting

10. **Meeting Close**

- a. Discuss task assignments
- b. Communications – FC agrees to use the mailbox marked “Treasurer” in the Parsonage Hallway as its unofficial mailbox

- c. Review next meeting date – October 13, 2008 at 7PM was selected. Jim Breeling will notify Pat Baker to reserve the room.

Appendix: Jim Breeling's proposed 3 options for discussion

Option 1 – no use of any interest or principle from endowment for operations ever.

- a. This statement communicates maximum fiscal responsibility but ties church in using any financial leverage
- b. This option would be popular with members who feel that endowment protection or preservation takes precedence over special or high priority projects or initiatives
- c. This option would mean potential budget cuts during lean years but might convince others that any Capital Plan might succeed

Option 2 – some use of interest (limited) but no use of principle for operations

- a. This statement communicates some willingness to use interest in a limited way. This ties the church into a partial policy allowing it to take advantage of any growth in endowment when financial conditions allow it. Limited use of interest could be fixed to ensure that endowment growth is not hurt.
- b. This option would be popular with members who feel that occasional use of interest might be needed or that the additional money could be used to “grow” the services the church offers and end up attracting more members and more giving. The philosophy here is that “you have to spend some money to make some money”.
- c. This option could mean that endowment growth would be slower than Option 1 and in years where endowment interest is lean, possible budget cuts.
- d. This option would be opposed by members who feel that any “borrowing of from our future” is not prudent

Option 3 – use of some interest (limited) and occasional use of principle for special or high priority projects/initiatives.

- a. This statement communicates willingness to take some risk with endowment – essentially betting that the endowment can be grown in other ways (? donations,? gifts) to “make up” the lost endowment portions at a later time.
- b. This option would result in slowest growth of endowment, but higher investment in current services. If the additional services were structured to attract higher membership, the slow endowment growth might be offset. However, the option is still a bet against the future
- c. Some members would regard this option as too risky and may curtail their annual giving or curtail any potential contribution to a Capital Plan because of the impression that the church lacks fiscal restraint.