

FUUSE Finance Committee Meeting Notes

October 13, 2008

1. Roll call of members and Board Liaisons

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

2. **Approval of previous meeting minutes** – meeting notes from 9/15/2008 were distributed via e-mail but no comments were received. Jim B will resend for approval and posting on the web.
3. **Work on Investment Policy options for Board** – draft version 1.0 was created and circulated via e-mail prior to today’s meeting. Comments from committee members were incorporated into version 2.0 and this version was sent to the Board of Trustees (BOT). The BOT voted approval of the FC memo for discussion and voting at the annual meeting on November 2nd. Two changes were suggested at today’s meeting – drop the 5 year term reference for the policy and swap reference of the Fidelity and Vanguard. Tish will create the 11/2 agenda for publication to the congregation by the week of October 20th.

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.

JB mentioned that the work of Endowment management was significant enough to warrant a separate subcommittee. This was generally agreed to and will be taken up at future meetings. It was also generally felt that changes in the Investment policy should be allowed if a high enough hurdle was created to avoid rapid sequence changes or changes on a “whim”. For example – any change may require 2/3 of a quorum at an annual meeting of the congregation.

During the annual meeting, the role of the FC will be to deliver a brief statement of the options and explanation of the process used to recommend the options along with answering any questions about terms.

4. **Work on draft Finance Committee Charter** – deferred. Frank Heffron obtained an electronic version of the Bylaws from Pat Baker.

5. **Work on draft Reimbursement Policy** – The draft Reimbursement Policy being considered contains provisions for reimbursement of church staff for mileage. The members of the FC considered pros and cons and decided that church staff should not be reimbursed for mileage since this would open up an unfunded budget item and potentially contribute to budget shortfalls. Russell offered to survey other churches to determine standards of practice in the community. Church staffs do have a small budget for “professional expenses” but this is generally meant to support their professional development and ongoing education. There was a general opinion that employees of a non-profit organization would regard the minimal amount of travel around town as routine and part of their job. Jim B will prepare a second draft of the Reimbursement policy and distribute to members for their consideration.

Tod reviewed his discussion with the Director of Religious Education on the need for appropriate tax records on expenses and for additional documentation on the approximately ~\$2600 overspent last year. Jim B will follow up with the Dir-RE for the updated spreadsheets.

6. **Work on Budget Policy for Operations** – deferred.
7. **FY09 Quarter 1 Report on current FY budget execution** – At the September meeting a cost overrun of ~\$1600 was discussed from the Mold remediation project. Tod Rodger discussed additional potential budget shortfalls from overspending in Religious Education. His report also indicated another possible shortfall of \$6000 due to assuming 97% of budget from pledges rather than 95%. Pledge returns are running behind (a somewhat typical occurrence for the 1st quarter but worrisome if it becomes a trend given the current financial turmoil. The FC agreed to draft a stronger communication to the church members to 1) pay their pledges, 2) consider payment early to take advantage of the tax deduction for calendar year 2008 3) alert the church membership that budget cuts may be needed – like the anticipated closing of church offices on Fridays. JB volunteered to help create a paragraph long communication for this purpose. The FC will also create a template for the committee chair budget reviews planned in the Oct-Nov time frame to review spending versus plan and inform the committee chairs that budget cuts may be forthcoming. The FC also determined that any unobligated funds would be swept back to the FC for potential redistribution rather than expense against additional items. There may be some small savings given the plans to cancel some OWL training this year.

8. **Committee Chairs, Budget Plans and Oversight** –

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.

10. **Treasurer Role** – deferred. Tish has distributed a copy of suggested Treasurer roles to the FC membership. JB discussed the need to create an “attractive” job for the Treasurer because of the inability to recruit a qualified individual from the congregation.

11. **Possible addition to Funds** – Tish revealed that a former church member may have made a small gift to the church in her will. Frank offered to call the lawyer handling the estate settlement to get more details.

12. **Meeting Close**

a. Discuss task assignments

b. Review next meeting date – November 10, 2008 at 7PM

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.