



SAINT JOHN'S CATHEDRAL

Vestry Minutes

December 12, 2016

Attendees: David Abbott, David Barr, Andrew Britton, Neil Burris, Amy Davis, Jack Denman, Tamra d'Estrée, Suni Devitt, Leigh Grinstead, Mary Frances Kelley, Tom Keyse, Mike McCall, Ned Rule, Jane Schumaker, Elizabeth Springer, Ron Pogue, Evelyn Hornaday, Charles LaFond, Becky Beall-Moore, Kim McPherson, Stephen Tappe

Absent: Seth Reese

Guest: Teri Colburn

Call to Order: 6:07 PM, Teri Colburn led the opening prayers.

Check-in: brief reflections on the meaning of "rely"

Summary of Actions Taken and Consent Agenda Items:

- Approved the submitted 12/12/16 budget as the budget for 2017 with the understanding that continuing efforts will be made to raise funds and trim expenses throughout the year.
- Approved the 3 motions on debt repayment and Buildings & Grounds Maintenance and Repairs as modified during the meeting. The revised wording of these motions is attached to these minutes along with a related spreadsheet.

Learning Garden: Elizabeth Springer reported on a meeting held earlier on December 12th among the interested parties on getting construction of the garden started. Although the City would be willing to start in January, weather permitting, the start of construction on the garden will have to be delayed until the roof repairs on the south side of the Parish Hall are completed because the south lawn will be needed for roof access. The roof work is estimated to be completed by mid-February, weather permitting.

Homeless Meeting on Sunday, December 11th: Evelyn Hornaday reported on the 5 PM meeting held Sunday afternoon in response to a request of the Faith in Action Committee that was announced during services on Sunday and a limited email distribution (the Vestry was apparently supposed to receive emails on the meeting but did not). During that meeting, various specific actions were discussed and participants filled out cards indicating which ministries/specific actions the participant wanted to work on. One well-received action was to help the Saint Claire and Saint Francis Center with drives to collect specific items of clothing, etc. needed during each season and take the collections to Saint Claire and Saint Francis Center as appropriate. Evelyn obtained the clothing list from Saint Claire's on Monday.



SAINT JOHN'S CATHEDRAL

In a related action, Ron Pogue reported on the favorable response to his letter to Mayor Hancock offering the Cathedral's facilities to groups working on solving the various problems with the homeless.

Stewardship: Charles LaFond reported that \$15,000 had been raised during the past week for a received 2017 pledge total of \$1.23 million. Another \$170,000 is needed to reach the pledge goal of \$1.4 million. The Vestry will assist in making calls to the LYBUNT and PYBUNT families before the end of the year.

2017 Budget: Becky Beall-Moore distributed a spreadsheet of the proposed 2017 Budget as of 12/12/16. This spreadsheet is the first consolidated budget sheet including all the responses from department heads. Becky and Ron Pogue worked on revisions over the weekend. It lists \$3,710,519 in projected revenue and \$3,883,094 in projected expenses for a projected deficit of \$172,575. This deficit is in line with what Andrew Britton had been projecting for the 2017 budget last summer. The biggest contributor to the deficit was the legally mandated increases in health benefits and related costs in the personnel budget, something over which we have no control.

Ron would like the congregation to feel exhilarated about the budget progress that has been made over the past year. He and Becky would also like the opportunity to continue to work on the budget as they would like to achieve a \$0 deficit. This goal can only come from increased revenue as staff and other expenses have been cut to levels barely able to support continuing programs. Becky noted that we need to look hard at current programs to see which might be discontinued or shifted so that the Cathedral complex doesn't have to be staffed 7 days a week from 7 AM through 10 PM many evenings. She noted that the budgeted 2017 pledge total of \$1.4 million does not cover the budgeted \$1,899,899 in personnel costs, let alone any other costs. Ron hopes that the stewardship efforts to raise additional funds for the 2017 pledges will help raise needed funds.

Action: a motion was made and seconded to approve the submitted 12/12/16 budget as the budget for 2017 with the understanding that continuing efforts will be made to raise funds and trim expenses throughout the year. The motion passed unanimously.

Debt Repayment and Buildings & Grounds Maintenance and Repairs: Andrew Britton presented revisions to the 3 motions on this issue and the related spreadsheet showing the estimated impacts of the motions that were distributed at the 12/5/16 Vestry meeting. The motions were reviewed by the Investment Committee last week. Mary Frances Kelley reported the Investment Committee's recommendation, based on the current securities markets, that the entire \$2 million endowment draw for the Buildings & Grounds Maintenance and Repairs be made during the current year rather than over a 3-year period as originally proposed. Adoption of this proposal required some wording changes in the motions as presented.



SAINT JOHN'S CATHEDRAL

Action: a motion was made and seconded to approve the 3 motions on Debt Repayment and Buildings & Grounds Maintenance and Repairs as modified during the meeting; unanimously adopted. The revised wording of these motions is attached to these minutes along with a related spreadsheet.

Andrew Britton also presented a draft of the Guiding Principles of Fiscal Responsibility. This draft requires editing work. Andrew will send an electronic copy to the Vestry for their editing suggestions.

Clergy/Staff Reports

Stephen Tappe reported that the Messiah concerts made money.

Future Vestry Meetings:

- Monday, January 9th
- Tuesday, January 17th, hand-off meeting between the Search Interview Committee and the Vestry
- Sunday, January 29th, Annual Parish Meeting

Adjourn: 8:52 PM to go into Executive Session

Attached:

- The three motions on debt repayment and Buildings & Grounds Maintenance and Repairs as modified during the meeting
- The related spreadsheet showing the impacts of the foregoing



DEBT REPAYMENT and BUILDINGS & GROUNDS MAINTENANCE AND REPAIRS - MOTIONS FOR VESTRY MEETING 12/12/16

The motions proposed herein are based upon research and represent significant and prayerful deliberation and conversation by the Vestry over the past year. As with any plan that runs multiple years, it should be regularly reviewed. In this instance, it is recommended that Finance Committee review the progress and report to Vestry at least annually and recommend any adjustments necessary based upon new circumstances.

1. Motion regarding debt repayment (Starts 2017: occurs over one year):

a) Approve a special draw (in addition to the annual 5% draw used for operating expenses) from the SJC Endowment Fund up to a maximum special draw of \$2,100,000. Proceeds are to be calculated to payoff entire balance on line of credit, payoff internal fund transfers, and provide working capital for operations. Transaction to be completed no later than later than 1/31/17.

b) Approve a reduction in line of credit from \$5,000,000 to \$500,000 effective immediately upon repayment of outstanding balance on line of credit in (a) above and no later than 1/31/17.

c) Approve renewal of \$500,000 line of credit and spending authority on that line of credit through 12/31/17. The line of credit to be repaid in full no later than 1/31/18. Line of credit should revolve during year as it is for timing purposes and not for permanent borrowing.

2. Motion regarding funding for buildings & grounds maintenance and repairs (Starts 2017: occurs over next four years but no later than 12/31/20):

a) Approve maximum special draw of \$2,000,000 from SJC Endowment Fund to fund critical repairs and maintenance of the Cathedral Buildings & Grounds. Draw to occur no later than 6/30/17. This amount includes funds previously approved of \$353,000 for immediate capital maintenance approved during the October 2016 Vestry meeting.

It is noted for this section 2, the motion only approves the draw from the SJC Endowment Fund. All other necessary approvals are to be obtained prior to expenditures per standard SJC Budget Process and Procedures. Funds will be expended based on actual work to be completed, documented through the annual budgeting process, monitored through finance committee, and reported to Vestry by Finance and Buildings & Grounds.

3. Motion regarding annual draw percentage for operating budget (Starts 2017):

a) Continue the existing 5% draw calculation (based upon 13 rolling quarters) on entire endowment fund balance for the next 3 years (2017, 2018, 2019). The 5% draw calculation is based upon the overall Endowment Fund and the actual percentage allocated to each component may be different.

b) In order to reduce reliance on the Endowment Fund to support and fund operations and to be prudent and consistent with current market knowledge on the appropriate percentage to draw, the annual percentage rate drawn will be reduced beginning with the 2020 annual budget. Therefore, effective with the 2020 annual budget, the annual draw percentage on the entire endowment fund balance is to be reduced by a minimum of 1/4% (.25%) per year until the draw percentage equals 4%. Thus, the maximum draw percentage is 5% through 2019, 4.75% for 2020, 4.5% for 2021, 4.25% for 2022, and 4% for 2023 and beyond.

c) Beginning in 2024, the calculation of the draw percentage will change to be based only upon assets in the Investment Fund plus any interest-bearing notes held in the Endowment Fund. The draw percentage on any interest-bearing note shall be the lesser of the interest rate paid on the note or the draw percentage for the Investment Fund (i.e. 4% as of 2023). To be eligible for inclusion in the draw calculation, any note must be current and interest payments received at least quarterly. Assets such as houses and other non-income producing assets will not be used in draw calculations and only liquid, marketable securities/cash and interest bearing notes will be utilized from 2024 forward.



SAINT JOHN'S CATHEDRAL

Proposals for Capital Maintenance and Debt Reduction									
(yellow highlights are input cells)									
Endowment balance is as of 9/30/16 and 20 yr return as of 6/30/16 is 7.48%-2.16% CPI for net of 5.32%									
Proposal 1: Yr 1 - \$2MM for debt & \$800k for capital maint, \$600k cap maint; Yrs 2-7 - apply 1/4% reduction per yr for annual draw beginning yr 4; Yr 8 - limit draw % to securities only									
For purposes of this spreadsheet, endowment draw calculation is based upon a set % whereas the actual endowment draw is based upon 13 rolling quarter average.									
	Year 1 2017	Year 2 2018	Year 3 2019	Year 4 2020	Year 5 2021	Year 6 2022	Year 7 2023	Year 8 2024	Cell/Formulas Descriptions
Endowment Balance (Securities only) & Growth									Starting year #'s Input starting year, increase by one each yr
Starting Balance of Endowment Fund (Securities only)	\$21,738,985	\$19,189,049	\$21,631,424	\$24,075,119	\$26,589,922	\$29,189,117	\$31,886,657	\$34,697,320	Yr 1 is actual, yrs 2+ are ending balance prior year (from row 33)
20 yr Avg Investment Return on Securities (actual less CPI)	5.32%	5.32%	5.32%	5.32%	5.32%	5.32%	5.32%	5.32%	this is 20 yr return of 7.48% less CPI of 2.16% = 5.32%
Estimated Growth in Endowment Fund (Securities only)	\$1,020,857	\$1,150,792	\$1,280,796	\$1,414,584	\$1,552,861	\$1,696,370	\$1,845,897	\$1,845,897	this is balance x average return (row 10 x row 11)
Other assets of Endowment Fund (houses, notes, etc.)	\$2,560,014	\$2,560,014	\$2,560,014	\$2,560,014	\$2,560,014	\$2,560,014	\$2,560,014	\$2,560,014	this is total of other assets (cathedral hse, notes, etc.)
Total Endowment Fund Balance Plus Growth	\$24,298,999	\$22,769,920	\$25,342,230	\$27,915,929	\$30,564,520	\$33,301,992	\$36,143,041	\$39,103,231	total of balance+ growth + other assets (total of rows 10, 12, 13)
Distribution Calculations									
Proposed Distribution for Capital Maintenance Items	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	input
Proposed Distribution for Debt Repayment	\$2,100,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	input
Total Proposed Distribution	\$4,100,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	totals 2 lines above (rows 18 & 19)
Total Endowment Fund Balance after distribution	\$20,198,999	\$22,769,920	\$25,342,230	\$27,915,929	\$30,564,520	\$33,301,992	\$36,143,041	\$39,103,231	total endowment less distribution (row 14 minus row 20)
Annual Percentage Draw on Securities to Operating Fund	5.00%	5.00%	5.00%	4.75%	4.50%	4.25%	4.00%	4.00%	input - 5% yrs 1-3, then reduces 1/4% in yrs 4-7
Annual Draw Impact									
Annual Draw before proposed distribution	\$1,214,950	\$1,138,496	\$1,267,112	\$1,326,007	\$1,375,403	\$1,415,335	\$1,445,722	\$1,564,129	total endowment balance x draw % (row 14 x row 24)
Impact/Reduction from Distribution on Annual Draw	-\$205,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	if a distribution, then distribution x draw % (row 20 x row 24)
Impact/Reduction on Annual Draw from removing other assets								-\$102,401	applies to yr 8 only, removes draw % on other assets (row 13 x row 30)
Annual Draw after proposed distribution	\$1,009,950	\$1,138,496	\$1,267,112	\$1,326,007	\$1,375,403	\$1,415,335	\$1,445,722	\$1,461,729	draw before dist less impact/reduction (row 28 minus rows 29 & 30)
Ending Endowment after growth, distribution, annual draw	\$19,189,049	\$21,631,424	\$24,075,119	\$26,589,922	\$29,189,117	\$31,886,657	\$34,697,320	\$37,641,502	total of endowment after growth less distribution less draw (rows 14 minus row 20 minus row 31)
Fund raising gap/budget reduction from prior year	\$205,000	\$0	\$0	\$0	\$0	\$0	\$0	\$102,401	difference from row 29 to be covered by fund raising/budget reduction
Cummulative Fund raising gap/budget reduction (total since yr 1)	\$205,000	\$205,000	\$205,000	\$205,000	\$205,000	\$205,000	\$205,000	\$307,401	cummulative of all fund raising/budget reduction over yrs 1-8