

Christ Church Vestry Meeting Minutes

Tuesday, November 17, 2020, 5:00 PM

Online Zoom Meeting

Attending: Harrison McLeod (Rector), Ben Horne (Senior Warden), Ashley Reynolds (Junior Warden), Anne Arrington, Nelson Arrington, Milton Bates, Emily Davis, Jordan Earle, Elizabeth Fletcher, Mac Gentile, Norma Givens, Nancy Kennedy, Chris Klasing (Co-Treasurer), Wade Kolb (Asst. Chancellor), George E. McCall, Cecil Nelson (Chancellor), Dan Seaman (Co-Treasurer), Laura Whitney (Secretary of the Vestry), Penn Williams, Helen Wynkoop, Sherri Allred (Clerk of the Vestry).

Note: This is a regular meeting of the Vestry that took place online via Zoom because of the COVID-19 pandemic and subsequent orders for social distancing.

The Rev. Dr. Harrison McLeod opened the meeting with prayer at 5:02 PM.

Executive Summary of Actions:

- The Vestry approved removing the reference to the Investment Committee in the Christ Church Endowment By-laws.
- The Vestry approved the October meeting minutes as presented.
- The Vestry recognized the unanimous email vote to approve the Vestry elections slate.
- The Vestry accepted modifications to the Canterbury Counseling Center By-laws to formally remove the church from oversight of CCC and remove the requirement that parishioners serve on the CCC board.

Rector's Report

- Harrison said the communications staff will be sending out videos in advance of the Annual Meeting scheduled for November 22. The meeting will be conducted similar to the Clergy Klatch where people can send in questions to be answered in live stream. The live meeting will include the wardens, treasurers, Harrison, and Endowment Chair Matt Cotner.
- Harrison reported that there was great participation in Vestry elections—the winners will be announced via email on Monday evening.
- The staff continue to make good progress on the website. Harrison has every reason to believe it will be complete by March 31.
- Basketball protocols have been sent to the diocese. Harrison expects that the Bishop will be cautious but understands the desire people have to be in community. He feels that CC can mitigate the spread of COVID-19 by continuing to follow protocols set by St. Mary's last year and by following DHEC guidelines.
- Christmas services schedule will include four services with a maximum capacity of 125.
- There will not be a meeting with the bishop this Sunday. He prefers to meet during a time that is more leisurely so the meeting will be scheduled in the new year.

- Leadership and committees are in the midst of creating the budget for 2021. There is currently a deficit and three questions to wrestle with. Harrison is looking for clear direction but not a resolution.

Budget Briefing:

Dan reported that the Finance Committee met on Monday to review budget recommendations. He provided a briefing to the Vestry to alert members to the budget process and the challenges to be faced in approving a final budget. Following are the highlights of the briefing:

- For most years, the spending and revenue/endowment draws haven't met. Since 2019, revenue has declined. At the same time, the budget requests for 2020 and 2021 have gone up significantly.
- **Future scenario**—Dan offered this as a model scenario, not a forecast. This year CC is faced with an initial deficit of \$539,000. The \$100,000 in changes include the Diocesan ASK increase, Faith in Action 10% outreach requirement, and increase in salary/benefits. This is not a one-year issue; it is more of a three-year issue. Dan offered some “relatively painless” things to do to impact that deficit. If CC took a 4.5% Washington Street Property Endowment Fund draw, that would add \$40,790. ELT identified \$50,000 in budget reductions. Rental profit from Broadus property and maintenance reserve funded would allow \$39,842. Because of PPP, CC could fund that reserve for \$97,200. That would make a \$130,632 contribution toward the budget gap.
- The available unrestricted cash which includes PPP proceeds when forgiven plus the 2020 surplus would allow \$706,987 pro-forma cash. CC could restore the CCEP YTD losses of \$200,000. That would leave a cash available balance of \$331,583 at the end of the year.
- Vestry-designated reserve funds could be drawn on. Each fund has a specifically designated purpose. All funds subtotal is \$178,900.
- Available reserves and funding: the existing Deficit Reserve is \$169,640; the projected PPP income is \$331,583. That means \$560,863 is potentially available.
- If CC used 1/3 of that money, that would be \$185,085. That would leave a deficit of \$223,000.
- With the same assumptions, CC would still have to add \$223,314 to get to a \$0 balance.
- If the Vestry authorized using all reserves available, CC would still need \$202,000 and then next year there is no balance left, so the budget would require \$301,000 to get to a balanced budget.
- The Vestry can redesignate the reserves any way it chooses.
- This assumes the 2020 forecast is met. CC is currently about on pledge budget and better on spending budget. If either changes it can affect this situation. It assumes the \$2.6 million pledge number is met for 2021. It assumes that the \$800,000 property reserve stays in place. The full Diocesan Ask is not included. It also assumes that the PPP loan is fully forgiven as currently expected. If it is not forgiven, it would become a loan with 1% that has to be repaid in two years.
- What has changed: overall revenue is down by \$189,000; ministry and opportunity area spending is up; there is a decline in endowment and reserve use. Overall, 2019 had a \$195,000 surplus.

Budget Discussion:

Harrison said that the budget process has felt different to those working on it this year. He attributes that to several factors including lower revenue and the loss of some parishioners through differences in

theology and hiring practices, death, and major relocations. With the added effect of COVID, there is some insight into how this has affected major donors. Donors are pleased with what CC is offering, but many are feeling unsteady about potential income losses into 2021. This has resulted in a decrease of \$22,000.

In previous years, in the absence of clear Vestry priorities, the practice was that the Rector, Wardens and Treasurers would look at staffing positions and look at salaries and benefits and would eliminate or reduce those so that would be taken out of the budget equation already. That is \$168,000 that could be eliminated immediately. The problem is that doesn't recognize the Vestry priorities. Harrison said it is not great leadership for an executive committee to make those decisions. He does not see a way to avoid adjusting salaries and benefits and still balance the budget.

Additionally, Harrison said leadership and Vestry must understand the impact of the Diocesan Ask and the 10% Faith in Action requirement. There are lots of things that are not considered in budget numbers including \$90,000 of uncharged rent for the Sterling Center and Canterbury Counseling Center buildings, meals prepared in conjunction with Project Host, and choral academy amounts. Harrison said the time has come where we cannot exclude the amounts from budget planning.

In the scheme of things, Harrison said the conversation is how do we use \$3 million. That is an enormous amount of money. There are a lot of churches that have less than that to fund their ministry. Harrison said we need to have this conversation recognizing we are incredibly blessed. Other churches are deciding how they can keep their doors open. He said we won't know total numbers before January, and he does not want leadership to have to recraft the budget in January. Harrison asked the Vestry for some direction in considering the following questions:

1. What is our comfort level for the use of Vestry-designated reserves?
2. How do we understand staffing? Which of those staffing solutions do we want to offer?
3. How do we understand our accounting for Faith in Action?

What is our comfort level in terms of the use of those reserves?

Discussion followed with Vestry members making the following points:

- Last year's surplus should not be used to make up this year's deficit. Once we have gone through the three years with the surplus, we find ourselves in a \$400,000 hole.
- Until we have the PPP loan forgiven, we cannot spend a penny of it.
- What if the \$119,000 surplus last year was God planning for 2020? God is providing again for 2021. We have funds that we can move forward with so that we can feed our sheep and grow. God is providing ahead of time for us.
- We recently celebrated settling all our debt—how does that weigh into our budget? Does that not put us in a better financial position than we were in a year ago? (It has a negative impact on our cash flow but a positive effect on our not having debts.)
- We should have a combination solution using 1/3 of the reserves and some of the rental income we leave on the table.
- Spending levels are trending to be unsustainable in the future. We have a responsibility to address that.

- If there were a plan for 2024 with a balanced budget, then we can approve spending surpluses. The big concern is that we are not learning the lesson of yesterday and today and we're going to be in worse shape tomorrow.
- It is dangerous to go out three years with reserves because reserves are a rainy-day fund. As we work out of the hole, we can make adjustments in the coming years. Sometimes you have a change of priorities as you go forward. We need to address upfront the issues that we can take to provide the programs that people want and need.
- We should not hoard the reserves, but we need to be very careful and thoughtful about how we use those. We need to treat 2021 as another unusual year. There may be some changes because of the pandemic situation. Do we want to be leaner than we might normally be in our offerings?
- Next year will be unusual too. Using reserves is okay if there is a plan going forward to not continue to rely on them. If we can bring people back into the fold and giving goes back up.
- We cannot be confident that 2022 and 2023 pledge amounts will actually be where we hope.
- We should be cautious especially for next year with the pandemic and current situation.
- It is not a good practice to plan for using reserves in subsequent years. We should take into consideration the staffing question and the Faith in Action question.
- It needs to be a combination of some percentage of reserves and we must deal with staffing issues; but we need to keep some of the reserves on a stand-by for a rainy day. Our operations need to get to the point that they are sustainable. We are talking about everything below the operating line; at some point we are going to have to deal with the sources of revenue. You cannot make money unless you spend some or invest it. You don't survive if you starve it. We can do some things in combination on operating expense side, but I think the revenue side is more concerning. I see the demographics and I don't know how we handle that. I would hope that would be part of our hybrid solution.

Harrison said It is important to get to a balanced budget. We cannot have \$400,000 deficits indefinitely into the future. We could use 33% from reserves—16% in 2021 and 16% in 2022 and that gets us to a balanced budget by 2023. We could take a 4.5% distribution of the real estate proceeds and long as it does not move us below \$873,000. That is about \$40,000 infusion into the budget.

Staffing:

Harrison said that, based on priorities, CC can give shape to staffing that aligns with those priorities as closely as possible. Currently, the only brand-new position is the Director of Digital Media. Other staffing considerations include increasing the Director of Welcome Ministries to 30 hours, hiring a part-time priest, and filling the vacant Adult Ministry Director position.

Accounting for Faith in Action:

At one point in the life of the parish, according to Harrison, CC was closer to giving 3% of the budget in outreach. He asked Vestry whether they recognize the following as Faith in Action expenses: , forfeited rent, 65,000 meals in conjunction with Project Host, kitchen staff salaries, and parishioner contributions to direct ministry (like the choral academy). The Vestry advised an investigation into the specific numbers to account for what Faith in Action is doing in the community.

Conclusions:

Harrison proposed that close conversation continues with the Wardens, Treasurers, and Vestry along the way as needed and the Vestry revisits the issue and provides some direction in the December meeting to define a budget with a declining deficit to \$0 by 2023 that takes into account Faith in Action accounting, reserves, and staffing. He will have a plan that will give Vestry the opportunity to make thoughtful consideration going forward.

The December meeting will occur on December 15 with a possible in-person meeting in the All Saints Center.

Senior Warden's Report:

Ben said that in reference to the PPP loan, if we had spent that PPP loan by the end of this year and we were flat, we would have felt really good about it. He said he is comfortable with spending the whole thing next year.

Treasurer's report:

Christ reported that revenue is close to budget and expenses are below budget. As a result, the year will finish with a small surplus or break even. The end of the year forecast looks like \$38,000 in surplus. Spending is about \$160,000 better than budget but it is most likely that ministry areas will be spending on budget in November and December.

Norma Givens made a motion to take out the reference to the Investment Committee in the Christ Church Endowment By-laws. Ashley Reynolds seconded the motion. The question was raised whether or not the Vestry has the right to approve By-law changes. Chris responded that instead of using an investment committee, the board, by default, becomes the investment committee. All were in favor. None were opposed. The motion carried.

Approval of Minutes:

George McCall made a motion to accept the October minutes as presented. Anne Arrington seconded the motion. All were in favor. None were opposed. The motion carried.

Nominations Slate:

Nelson Arrington made the motion that the Vestry recognize the unanimous email vote to approve the Vestry elections slate. Elizabeth Fletcher seconded the motion. All were in favor. None were opposed. The motion carried.

Canterbury Counseling Center By-laws:

Milton Bates made the motion to accept the modifications to the CCC By-laws as presented to Vestry members via email. The modifications will formally remove the church from oversight of CCC nor will there be a requirement that parishioners serve on the CCC board. Elizabeth Fletcher seconded the motion. All were in favor. None were opposed. The motion carried.

Other Business:

Harrison reported that CC will reintroduce programs slowly and cautiously. He said that if we do basketball successfully, then next we will look at adding Sunday school in the spring. He said the strategy

is to reintroduce programs one at a time with sufficient space between them so that we know they have been done successfully without widespread infection.

Vestry members were reminded that sign-ups for services are available through Event Brite.

Penn offered a thank you from Lauren and the Annual Giving Committee to those who made phone calls about pledges. She said the calls made a big difference.

Ben Horne closed the meeting with prayer at 7:02 pm.