

**Minutes of the Vestry
St. Mark's Church Capitol Hill
July 20, 2008
Adams Room
Approved September 21, 2008**

Present:

Clergy: Paul Roberts Abernathy, Rector
Kay Johnson, Interim Associate Rector

Wardens: Louise Walsh, Senior Warden; Jim Michael,
Junior Warden

Vestry: Doris Burton, Don Mosher, Mary Lee Watts, Susan Thompson-Hoffman, Kristen Hartke, Joe
Calizo, Bruce Sherman

Treasurer: Kathryn Powers

Register: Susan Sedgewick

Absent:

Vestry: Kenn Allen

Human

Resources: Ed Cousins

Counsel: Rosemary Harold

Co-Counsel: Michael Knipe

The meeting was convened at 12:45 so to allow those who wished, to attend the memorial service for Harriet Lewis. Kathryn Powers offered the opening prayer. Mary Thuell was welcomed as a visitor; she will start as a member of the Vestry—to fill out Kathryn Gerhard's term—on August 1.

Endowment Committee proposal

Penny Hansen, David Willson, and Rob Lawrence of the Endowment Committee met with the Vestry to request a change to the 1998 Building Preservation Fund charter. Their proposal is Attachment A to these minutes. Penny reviewed the history of this fund: It was created with the \$540,000 received from the sale of the rectory on 12th St SE. \$150,000 was “loaned” to the church for the “Save the Nave” projects. These projects were deemed as being consistent with the fund's intent of providing for the protection of

the church building and Baxter House which could not be provided for by the annual budget process. The remaining \$390,000 was invested. The 1998 charter did not allow for any other distributions until the fund returned to the \$540,000 level plus inflation. The investment plan has not worked out to expectations; in fact, the fund has not kept up with inflation.

The Endowment Committee recommended changing the charter to reduce the baseline from \$540,000 to \$390,000 and removing the requirement for the distribution to "Save the Nave" project be repaid to the fund. It was noted that there have not been additional bequests to this fund; there was some speculation that this fund may be seen as not being used.

David Willson presented his analysis, using the economic assumptions of 8% growth and 4% inflation. Under the charter's current provisions, funds would not become available until 2019. With the changes being proposed, funds would become available in 2011.

Rosemary Harold, Vestry Counsel suggested some editorial changes to the proposal.

The following motion made by Kenn Allen carried:

That the Vestry approve the adoption of the Endowment Committee proposal to change the specifics of the Building Preservation Fund charter with editorial changes offered by Vestry Counsel.

The revised proposal is Attachment B.

Penny Hanson provided an Endowment Funds report as of July 3, 2008. (Attachment C)

The Vestry expressed their appreciation to the Endowment Committee for their efforts in developing a proposal that will help move forward some important projects.

Shrine Mont Follow-up

The Vestry mourned the death of Shrine Mont facilitator Harriet Lewis. Paul Abernathy announced he has met with Shrine Mont co-conveners Charlie Rupp, Loretta Veney, and Priscilla Mendenhall. The follow-up workshop, originally scheduled for July is now scheduled for September 14. The workshop to be entitled "Stories from St Mark's" will follow a single 10am service. Efforts to recruit another highly qualified facilitator are underway.

Register's Report

The motion to approve the Minutes of the June 20, 2008 meeting as read carried.

The following resolutions were passed in June by the Vestry voting by e-mail:

- **The Vestry approved the Youth Director's proposal for fundraising in the Summer Sunday School as an integral part of the curriculum of earth stewardship and ecology.**
- **The Vestry approved accepting a gift from Betty Foster and Rod Lawrence of \$2000 to help finance the Friday, June 20, 2008 celebration of Paul Roberts Abernathy's 10 year anniversary as Rector, St. Mark's Church and 30 years of ordination. The funds will be deposited in the Social Events account.**

Junior Warden Report

Jim Michael thanked the Fabric Committee for their efforts leading to replacing incandescent light bulbs with compact florescent lights where are appropriate. This effort is expected to yield savings in utility bills. Additional efforts are underway to identify less expensive sources of natural gas used for heating the church. He also announced the foyer tile in Baxter House will be updated in September.

In response to question about the air conditioning system, Jim reported that our system is made up of large residential systems that do not have advanced controls. He reported if the system in the Nave is turned off, it takes two days to recover. The undercroft is not air conditioned, but relies on the cold air from above. The issue is that more air movement is required.

Extension of former Parish Assistant salary and benefits.

Louise Walsh suggested, as churches do not participate in unemployment insurance, St Mark's continue to make salary payments to Kathrine Ebert beyond the period previously determined, July 31 to mid August. This would cost approximately \$2108.14 plus \$160 for the associated payroll tax. Rosemary Harold offered to draft an appropriate release for Ms. Ebert to sign upon receiving this payment. The purpose of this proposal is to assist in Ms. Ebert's healing and to demonstrate that St. Mark's is a caring congregation.

Kenn Allen made a motion in support of this proposal. This motion was seconded. Don Mosher offered an amendment to extend the period to the end of August.

The amended motion carried:

The Vestry approved to continue salary payments to Kathrine Ebert at her current salary rate until August 31, 2008. Payment is contingent on the receipt of a signed release from her.

Treasurer's Report

The Vestry approved the Treasurer's Report with its Proposed Revisions to the 2008 budget. (Attachment C)

Kathryn Powers requested that the Vestry approve the transfer of \$25,780 from the Parish Reserve to the 2008 budget. This amount was earlier deemed "surplus" to the budget and was placed in the reserve account.

The motion to transfer \$25,780 from the Parish Reserve account to the 2008 budget carried.

What's new, what's working, what needs attention, who needs acknowledgment

- Closure of Capitol Hill Group Ministry Shelter at St Mark's:
Kenn Allen, as a CHGM board member, provided background on the mid-July abrupt closure of St Mark's July homeless shelter. Beginning last year, DC government started upgrading their policies for homeless shelters. The new leadership at CHGM was not aware St. Mark's and some others would not be able to meet some of the new requirements. If all had worked correctly, the shelter at St. Mark's would not have opened in July. Kenn noted the closure had nothing to do with the volunteers or past performance. The bottom line is that the city changed the rules, and St. Mark's does not meet the new requirements and therefore does not qualify for sheltering the city's homeless. The two families we were providing hospitality are still in the CHGM program and were moved.

Missy Smith and Stephanie Deutsch are assessing how St. Mark's might want to be involved with CHGM's shelter program. We often host a monthly weeknight dinner for all shelter program participants.

- Louise Walsh announced she will be away from August 4 to August 20 and Jim Michael, Junior warden will be standing in for her in her Senior Warden role.
- Several members suggested the garden sprinkler system needs attention. It was working at 10am Sunday morning as parishioners were arriving at church. Jim Michael said he would mention it to Ed Green.

- Hospitality/Vestry Greeter responsibilities and how to follow up with visitors was discussed. The follow-up package to include a welcome letter was identified as needing attention. Paul Abernathy volunteered to include mention of our various classes that provide an entry into our community in that letter.
- Doris Burton announced the Pillar Heads will meet together in October. She reported the Parish calendar is out for review by them. She asked vestry members with liaison responsibilities to follow up with their respective pillar head—they should be updating the content on the St Mark's website and getting the updates to Karen Falk.

The Reverend Kay Johnson offered the closing prayer.

There being no further business, the meeting adjourned at approximately 2:30 pm.

Respectfully submitted,

Susan Sedgewick
Register

MEMORANDUM

TO: Vestry of St. Mark's

FROM: Endowment Board, St. Mark's Endowment Fund

RE: Adjusting Baseline of Building Preservation Fund

DATE: July 12, 2008

The Endowment Board is charged with managing the Building Preservation Fund as a part of its responsibilities under the St. Mark's Endowment Charter. This Fund was established to supply a funding source for restoration and preservation projects of St. Mark's property that cannot be supported through the annual budget process.

In recent months, the Endowment Board has been engaged in an analysis of the Building Preservation Fund, which has run a "deficit" since the sale of the Rectory in 1998. The result of this deficit is that no funds have been available for use from the Building Preservation Fund since that date, and it appears unlikely that funds will become available anytime soon. The Endowment Board has analyzed the parameters of adjusting the baseline in order to free up funds for use in appropriate building-related projects in the next few years. This memo provides background on the history of the Building Preservation Fund since the sale of the Rectory, and recommends that the Vestry approve a change in the baseline. If the Vestry approves such a change, amendments to the Building Preservation Fund Charter will be necessary. Proposed language changes are found at the end of this memo.

History

In March of 1999, when the sale of the Rectory was completed, the proceeds of approximately \$540,000 were deposited in the Building Preservation Fund for investment. The value of any gains, adjusted annually for inflation, were to be available to support the needs of St. Mark's buildings in future years.

However, immediately upon depositing the \$540,000, the Vestry approved a “loan” of \$150,000 to the Save the Nave Fund. As a result, the Building Preservation Fund started \$150,000 in arrears – and has been unsuccessfully trying to catch up ever since. The accompanying graph illustrates the problem – the top blue line is the required minimum that must be in the fund (\$540,000 adjusted annually for inflation – as of July 2008, the figure was just over \$711,000). The pink line shows the actual market value of the fund, which began at \$390,000 and has declined and risen with the market in the subsequent nine years. As of July 2008, the market value was just under \$480,000 – leaving a difference of more than \$231,000 that must be made up before any funds can be disbursed. Since the amount we are in arrears today is greater than when we started, the present Endowment Board has continued the discussions begun by its predecessor Board on altering the baseline to its originally invested amount (\$390,000), rather than the total of the invested amount and the loan (\$540,000).

Possible Courses of Action

Two possible courses of action are attached and analyzed. In both of these scenarios, we compare the projected value of the fund over a 14 year period (January 2008 to January 2021) under identical annual financial circumstances. We have simulated annual inflation rates of 4% and annual market growth rates of 8%. We present these figures with a common set of assumptions only to illustrate potential outcomes under the two possible courses of action. Clearly, no two years are identical in either inflation or market gain or loss. It also seems highly unlikely that the market will achieve an 8% growth rate in 2008, given the state of the economy. These assumptions and the scenarios that result from them, therefore, must be viewed as optimistic. The Endowment Board would be happy to run additional numbers that project a variety of different market and inflation scenarios should such data be of interest to the Vestry.

Scenario A – Do nothing.

If no changes are made to the policy and the baseline remains as it is today, funds will not be available under the simulated scenario assumptions until 2019. Significant funds (i.e., more than \$100,000) would not be available until after 2021.

Scenario B – Calculate the required balance from the value at inception in 1999.

The chart for Scenario B illustrates the funds that would be available were the Vestry to decide that the Building Preservation Fund baseline should be \$390,000 (the \$540,000 in proceeds from the Rectory sale less the \$150,000 loan to the Save the Nave Fund). We then calculated what the required balance would have been in each year from 1990-2008, using actual inflation data, and arrived at a

figure of approximately \$514,000 (as of July 2008). Under this scenario, funds would be available in 2011 and significant funds available in 2015.

Recommendation

The Endowment Board recommends that the Vestry adopt “Scenario B” by approving a motion to adjust the baseline to reflect that the value of the fund was, in reality, \$390,000 in 1999. We believe no purpose is served by continuing on a path that will prevent the church from having access to any Building Preservation Fund monies for more than another decade. Essentially, the Endowment Board is asking the Vestry to declare that the \$150,000 “loan” to the Save the Nave Fund need not be paid back to the Building Preservation Fund.

Amendments to the Building Preservation Fund Charter

If the Vestry approves the recommendation to adjust the baseline of the Building Preservation Fund, amendments will be necessary to the Building Preservation Fund Charter, as outlined below. The Endowment Board recommends that the Vestry approve these amendments.

Co-chair	Penelope Hansen	Architecture Manager	John Edwards
Co-chair	David Willson	Investment Manager	Michael Townsend
Treasurer	Will Long		

Proposed Amendments

Current Provision:

Article II. Background; Acceptance as a Chartered Fund

Section C. In May 1998, the Vestry authorized the Junior Warden to undertake a “Save the Nave” project of major repairs and improvements to the church building and its grounds, to be financed through monies borrowed from the Rectory sale proceeds. The Vestry directed that the funds used by the Junior Warden would be “paid back” to the endowment over time by allowing the

appreciation to build up, and not be treated as income from which distributions could be made until the principal balance reached an amount equal to the proceeds from the sale. The Rectory was subsequently sold; the proceeds were approximately \$541,000.

Proposed addition to the end of subsection C:

In July, 2008, the Vestry directed that the Save the Nave funds used by the Junior Warden in 1998 would not need to be “paid back” to the endowment over time.

Current Provision:

Article IV. Assets of the Building Fund

The assets of the Building Fund shall consist of the original proceeds of the sale of the Rectory at 139 12th Street SE, together with other gifts of any nature from any source which the Board of Managers of the Endowment agree to accept and administer.

Proposed addition (in italics):

The assets of the Building Fund shall consist of the original proceeds of the sale of the Rectory at 139 12th Street SE (*minus the initial distribution to the Save the Nave fund*), together with other gifts of any nature from any source which the Board of Managers of the Endowment agree to accept and administer.

Current Provision:

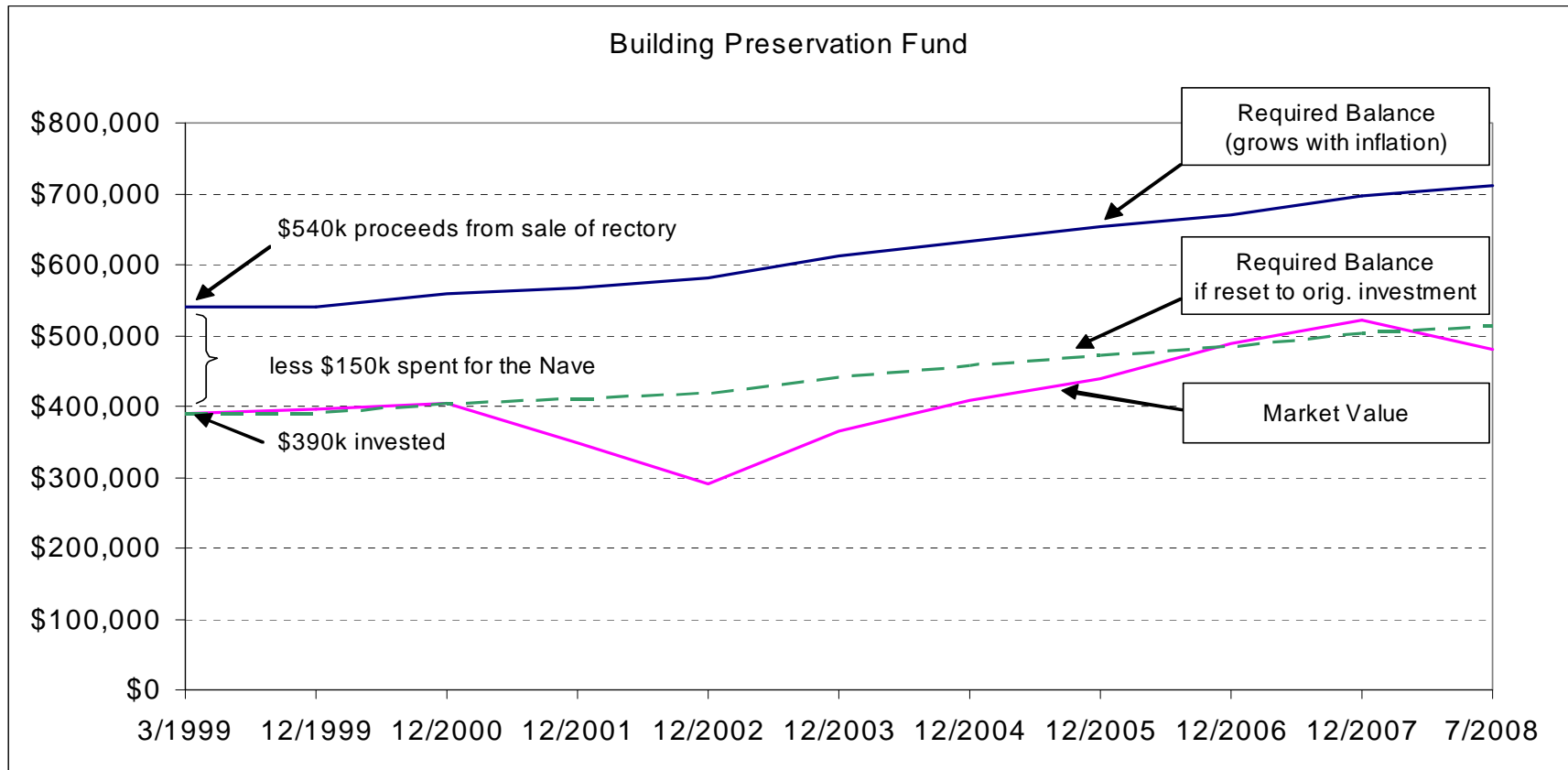
Article VI. Distribution of Funds

Section C. No distribution shall be made from income of the Building Fund if, at the time of the proposed distribution, the principal of the Building Fund is less than

1. an amount equal to the initial real value of the Building Fund, that is, the amount of the proceeds from the sale of the Rectory (approximately \$541,000), adjusted for inflation, plus
2. the original real value of any subsequent gifts, adjusted for inflation, except that portion of any gift as to which the donor has authorized distributions from capital.

Proposed replacement for subsection 1:

1. *an amount equal to the amount of the proceeds from the sale of the Rectory (approximately \$540,000) minus the initial distribution to the Save the Nave Fund (\$150,000), that is \$390,000, adjusted for inflation, plus*



Existing Policy	3/1999	12/1999	12/2000	12/2001	12/2002	12/2003	12/2004	12/2005	12/2006	12/2007	7/2008
Required Value	\$540,000	\$540,000	\$558,360	\$567,294	\$580,909	\$612,326	\$632,533	\$654,039	\$670,390	\$697,876	\$711,697
Market Value	\$390,000	\$395,000	\$404,337	\$348,260	\$291,199	\$365,591	\$407,866	\$438,214	\$488,980	\$521,394	\$479,952
Difference	\$150,000	\$145,000	\$154,023	\$219,034	\$289,710	\$246,735	\$224,667	\$215,825	\$181,410	\$176,482	\$231,745

Scenario B - If Required Value is Reset to Original Invested Amount:

Required Value	\$390,000	\$390,000	\$403,260	\$409,712	\$419,545	\$442,236	\$456,829	\$472,361	\$484,171	\$504,021	\$514,003
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Projected Future Value of the Building Preservation Fund
with amount available for spending under two possible courses of action

Scenario A - Continue with Same Policy

Building Preservation Fund Calculator			
When will be be able to spend from this fund?			
growth	8.00%		
inflation	4.00%		
	<u>boy balance</u>	<u>threshold</u>	<u>availability</u>
Jan-08	\$521,394	\$697,876	\$0
Jul-08	\$479,952	\$711,697	\$0
2009	\$498,781	\$725,791	\$0
2010	\$538,683	\$754,823	\$0
2011	\$581,778	\$785,015	\$0
2012	\$628,320	\$816,416	\$0
2013	\$678,586	\$849,073	\$0
2014	\$732,872	\$883,036	\$0
2015	\$791,502	\$918,357	\$0
2016	\$854,822	\$955,091	\$0
2017	\$923,208	\$993,295	\$0
2018	\$997,065	\$1,033,027	\$0
2019	\$1,076,830	\$1,074,348	\$2,482
2020	\$1,162,977	\$1,117,322	\$45,655
2021	\$1,256,015	\$1,162,015	\$94,000

Scenario B - Inflate the required balance from value at inception in 1999

Building Preservation Fund Calculator			
When will be be able to spend from this fund?			
growth	8.00%		
inflation	4.00%		
	<u>boy balance</u>	<u>threshold</u>	<u>availability</u>
Jan-08	\$521,394	\$504,021	\$17,372
Jul-08	\$479,952	\$514,003	\$0
2009	\$498,781	\$524,182	\$0
2010	\$538,683	\$545,150	\$0
2011	\$581,778	\$566,956	\$14,822
2012	\$628,320	\$589,634	\$38,686
2013	\$678,586	\$613,219	\$65,366
2014	\$732,872	\$637,748	\$95,125
2015	\$791,502	\$663,258	\$128,244
2016	\$854,822	\$689,788	\$165,034
2017	\$923,208	\$717,380	\$205,829
2018	\$997,065	\$746,075	\$250,990
2019	\$1,076,830	\$775,918	\$300,912
2020	\$1,162,977	\$806,955	\$356,022
2021	\$1,256,015	\$839,233	\$416,782

Proposed Amendments

(Revised and adopted at Vestry Meeting, July 20, 2008)

Current Provision:

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Proposed replacement for subsection 1:

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Treasurer's Report

(Cover email to Vestry from Treasurer dated July 18, 2008)

Dear Vestry,

Attached are the usual two statements from Warren for the month of June. The third attachment is the

Proposed Revisions to the 2008 Budget.

Comments on the budget situation:

1. Revised income: \$978,349
2. Revised expenses: \$1,017,094
3. Revised deficit: \$38,745
4. Finance committee recommends a transfer of \$25,788 from Parish Reserve designated fund #70500 to the general fund to partially cover the projected deficit of \$38,745.
5. Finance committee recommends carrying the remaining deficit of \$12,957 until we know more about the timing and compensation of hiring replacements for Shearon and Kathrine, and whether the poor economy will affect pledge payments.
6. In view of that uncertainty, the finance committee plans to review the budget again at the end of the third quarter.
7. Vestry liaisons need to check with respective pillars to determine estimated spending by end of year and to encourage tightening of belts.
8. Finance committee strongly urges the Vestry to focus on an intensive, well-planned effort to build membership as the most effective and sustainable way to avoid painful budget decisions in the upcoming budget cycles.

Thank you. KP

Spread sheets in associated Excel files.