

MINUTES
Special Congregational Meeting
First Unitarian Congregational Society of Brooklyn
Sunday, November 23, 2014

Present:

- **Board:** Michael Alcott (Board President), Liz Davis, Kurt Steele, Devin Judge-Lord, Mary Most, Jeff Muller, Tom Check.
- **Clerk:** Christine Lloyd
- **Treasurer:** Mitch Major
- **Voting Members of the Congregation** – a forum of at least 30 members must be present, over 60 voting members were present.

1. Greetings and Opening Words –

The Board Clerk called the meeting to order at 1:15 pm. A quorum of over 30 voting members was deemed to be present. The meeting was held in the Chapel. All Board Members except for Rachel Michael and Elaine Macken were present. Rev. Ana Levy-Lyons was present.

The Clerk of the Board requested nominations for a Moderator. Bruce Wilde was nominated but not currently present, and it was not clear whether the congregation was nominating him as moderator or parliamentarian. The Board Clerk requested nominations for a Moderator that was currently present and not otherwise engaged, so that the meeting could start on time without further delay. Two nominations were provided.

**Pat Bernstein nominated Lee Pardee and Robert Patterson nominated David Provost.
Motion was duly seconded. Lee Pardee was elected Moderator. Motion carried 40 in favor/ 10 opposed.**

The Clerk handed the meeting over to Lee Pardee who requested nominations for a Parliamentarian/Time Keeper and three Inspectors/Counters.

**Liz Davis nominated Coco Wilde, Nancy Wolf, and Derek Pearl as the Inspectors/Counters and Bruce Wilde as the parliamentarian/time keeper.
Her motion was duly seconded.
Motion carried - unanimous**

* The Opening Words were provided by Rev. Ana Levy-Lyons.

“When asking questions or speaking at this forum, please keep the following three items in mind:

- *Is it true?*
- *Is it kind?*
- *Does it help?”*

2. Presentation from the Board President of the Current Budget Shortfall

The Board President, Michael Alcott, presented the Current and Previous Year’s Budgets to the Congregation. He explained where and how the shortfall in the previous year’s budget occurred and its overall effect on this year’s budget. In addition, he stated that the Board is doing various things to ensure that there isn’t a recurrence. A spreadsheet detailing the revenue shortfall and budgetary deficits was provided to the voting members prior to the meeting.

The following items were highlighted:

Explanation of Revenue Shortfall:

- While we have exceeded expectations this year for rentals by outside groups, it was determined by the Board that we should not depend on it in future years. The Board determined that the average of the outside group rental amounts obtained during the previous three years (i.e. a 3 year average in rental amounts) should be applied to determine the outside group rental amount for each budgetary year.
- Non-pledge contributions are difficult to predict and while we're currently exceeding expectations, it is best to put a \$100 place-holder in this category going forward.
- Rental Apartments – The big apartment has been vacant for three months. This was an unexpected revenue shortfall that had not been budgeted. Going forward, a one month vacancy in the big apartment will be stipulated in the budget.

Outstanding Bills/Budget Shortfall

- A \$32,000 audit bill that was unexpected and had not been budgeted for in the previous year's budget. All future invoices should be sent directly to the Church Office and not the homes of individual members.
- Variance in staff salaries.
- Necessary maintenance projects created a larger than budgeted amount. Such as the Pinnacle repairs.

The revenue and budgetary shortfall resulted in a deficit of \$87,581.00.

What is being done?

The Board has already done the following to correct this shortfall and manage costs:

- All committees that were approached, including Music & Worship, WFD, and Sustainability, were very generous and agreed to either raise money or tighten their belts.
- Request to the congregation to accelerate their pledges, and pay the full amount of their pledge before the end of this year.
- Request that members add to their current pledges in whatever amount is feasible.
- Scrubbing the Budget of all unnecessary expenditures, and ensuring conservative forecasting of future revenues.
- If all else fails, withdraw the required \$87,581 from the endowment.

The Board has moved to bind itself and direct future boards to do the following:

- Projected non-pledge revenues for outside rentals should be conservatively budgeted at \$100.
- Assume a 1 month vacancy for apartment rentals

- Projected revenues from special events and outside rentals should be budgeted based on a 3 year average, regardless of how high the previous revenues were.
- If a revenue surplus is achieved this should be applied or set aside in a “rainy day fund” that will be used for deficits, unexpected costs, or emergencies only.

In response to Informational Questions from the floor (these were written and handed to the Board President as dictated by the Church’s by-laws and the rules of procedure).

- **Do we have a paid Bookkeeper or Treasurer?**
- Answer: No. We do not currently have a paid Book Keeper or Treasurer on staff. Our current Treasurer is a volunteer.
- **Do we need to the get the endowment back up to a certain level?**
- Answer: No clear answer was provided, but it was expressed that the church does not want to continuously draw substantial amounts from the endowment.
- **How often is the Budget reviewed? How does the congregation keep informed on these matters? How are they made transparent?**
- Answer: The Board is reviewing the budget now on a monthly basis. Prior boards did not have that level of accessibility to the budget. Board Meetings are open to all voting members/congregants. And the budget/revenues should be available on our web site, with a password.

3. Motion: I move the congregation to authorize a with-drawl of up to \$87,581 from the endowment to make up for the prior year’s deficit.

Motion: Tom Check

Seconded: Kurt Steele

Discussion:

Lengthy and somewhat spirited discussion was held on the above motion. Those in favor stipulated that there had been various unforeseen maintenance costs and accounting expenses that required payment and had not been budgeted for. Those opposed were concerned that a precedent had been set for dipping into the endowment for outstanding bills. In addition, this motion would be undoing a resolution made by previous boards and this congregation to not withdraw more than 4% during any quarterly period.

Currently the endowment is invested in various stocks and bonds, and doing rather well. The congregation draws no more than 4% based on a weighted average of the endowments value over the last 13 quarters. The reason is that this maintains the investments without causing too much of a disruption. The investments are doing well enough that the 4% draws are unnoticeable. Anything larger than a 4% with-drawl would cause a disruption. This would be an addition 2% with-drawl, on top of the 4% or 6%-6.6% with-drawl.

Informational Question:

Question: “What is the current value of the endowment?”

\$3,860,000 as of 10/31/14.

[\$87,581 is the amount the congregation wishes to withdraw. It should be noted that this amount is in addition to the quarterly 4% draw, so 4% +2% = 6%.

\$ 3,860,000.00
\$ 87,581.00
2%]

Preference was stated that the congregation should wait to squeeze more out of the endowment, determine how much can be raised from the pledges and fund-raising first.

The Board responded that prior to withdrawing any additional money from the endowment they would determine if enough had been raised from other more viable methods such as pledges, outside rentals, donations, and fund-raising. But, reiterated, that the church still needed to pay its outstanding bills in the meantime and if enough money was not available at the time these bills came due, the endowment should be used as an option – as opposed to cutting programs and staff.

The Opposition felt that there should be a consequence for this action that you should not be allowed to remove \$80,000 from the endowment for outstanding bills whenever necessary. This should be a last ditch effort.

Question: Is there anything in place to ensure this doesn't continue to occur?

The plan is to review the annual budget on a monthly basis and to re-examine current accounting methods. And it was reiterated that additional pledges and funds raised would go towards paying our bills, first. Any surplus would be placed in a rainy day fund to ensure this does not occur in the future.

Question: When is the date that you are actually withdrawing from the endowment?

The plan is to delay as long as possible. It depends on when we have to pay our outstanding bills. The current goal or aim is June. But again it depends on when the bills are actually due, since we do not wish to be late or in arrears.

Question: Can we replace what we with-drawl from the endowment before inserting it into a rainy day fund?

Yes. We would replenish the endowment first. Only the surplus would go into the rainy day fund. The rainy day fund is to offset our costs and ensure we do not have to continue to draw from the endowment in the future.

In the past, the Board didn't have monthly access to budgets. Now we do have access on a monthly basis.

Opposition reiterated that we appeared to be back-tracking on a promise made to only with-drawl 4% of the endowment's value. This was meant to be long-term money; we have no right to spend it for these types of costs.

Question: Is this the first we are hearing of this? And why is that?

No, a letter was sent out to voting members, which mentioned the issue but did not go into specifics.

Question: How did we not know about the audit bill? (It should be noted that this question was posed by a Board Member of the previous Board.)

No clear answer was provided. But processes were being implemented to ensure there is not a recurrence. For example, the previous Boards did not have access to the budget on a monthly basis.

Question: Is there a promise that you'll deliver a plan on how to replenish the endowment?

Michael Alcott stated that the plan is that we won't need the full amount. And for future years, we plan to utilize the rainy day fund. Our goal is to create a level of accountability for future Boards.

Question: What is the policy for check writing? Is it based on funds projected from back of the napkin or what we can raise from paid pledges previously made?

We're looking at roughly and an additional \$200,000 in pledges during the current fiscal year. And while the current organization is not sustainable for continued financial health, the Board is looking closely at the system and attempting for more accountability moving forward.

Question: What would happen if we did not agree to withdraw from the endowment?

We would have to find other ways to defer costs, such as laying off staff and cutting back on key programs, such as Music and RE.

6% is not a sustainable amount to withdraw from the endowment and clearly we cannot continue to do this or eventually we'll have no endowment. But we do need to pay our bills and we are undertaking measures to change how we handle this in the future.

*** At this point, the following Motion was made by David Provost and seconded by Mark de Sola.**

Motion #2: Be it further resolved that the total of all funds advanced, during FY 15 (fiscal year 2015), from the Endowment to the Operating budget, over and above the four-percent (4.0%) draw, as authorized by the Congregation's Investment Policies, be repaid in full over the next three years, with interest at a rate commensurate with the Endowment's earning; such repayment to be effected through a pro-rata reduction in the permitted quarterly draws beginning with the first quarter of FY 16 (September – December 2015). ("The Amendment")

Discussion: A lengthy and spirited discussion followed regarding the above "Amendment" to the previous Motion.

Question: Do we have anything currently in place to replenish the endowment?

Donations – depend on the wording of the request, if they are specifically left to the endowment. On average there has been 0% in outside donations to the endowment in the last 3 years.

So, no, only the surplus from current revenues can be used or if a specific donation is made. The goal is to draw as little as possible and slowly replenish.

Question: Is it realistic to expect pledges from everyone?

No, all we can do is the best that we can. The current board is pledging \$5,000 amongst themselves.

Those in favor of the "Amendment" stated that it would be better to guarantee that the congregation and board put additional funds in the endowment. This would ensure that any surplus would automatically be placed in the endowment.

The Endowment is currently invested in a series of stocks and bonds, four percent (4%) based on a weighted average of the endowments value over the last 13 quarter is drawn out by the church. So far the endowment is making more than its' lost, and the with-drawls have had no effect on our investments. If we with-drawl more

than 4% based on a weighted average of the endowments value over the last 13 quarters that could have an effect on the endowment, particularly if we continue to do so. The “Amendment” would ensure that we do not fall into this practice, and that the endowment is replenished.

Question: Was the \$10,000 set aside under Maintenance costs set up for the Safety Survey? Also to what degree do custodial hours during events escalate costs – could this be scaled back?

The second question was deemed to not be germane to the discussion per the Parliamentarian/Time Keeper. The first question was answered by the Facilities Committee – who stated that they had agreed to defer the survey for another year. It was deemed to not be currently required and that the church has enough internal expertise to cover it.

Motion to Call the Question on the Amendment.

Duly Seconded.

This would end all discussion on “the Amendment” and put it to a vote.

The motion was overturned – due to less than a 2/3rds majority vote. (42 in favor -22 against)

Discussion continued:

Opposed: The Board President reiterated that we are a growth organization, but if we place that degree of restriction – we could potentially limit and restrict that level of growth.

Those in favor of the amendment reiterated that the endowment is our “rainy day fund” and we should be raising funds and pledges to off-set these bills. The endowment should not be used for paying operating costs.

Question: Is there a consequence for not raising the requisite funds within three years to replenish the endowment per the Amendment?

Yes, staff will be laid off and programs cut.

In favor of the “Amendment” – Growth is happening because we are coming together, but we still have to make sure that we reign back on spending and manage our debts. This Amendment would ensure fiscal responsibility.

Against the “Amendment” but in favor of the original motion – we as a congregation can dig deeper into our own pockets and ensure a draw is as tiny as necessary. But we should all take a leap of faith and trust this will happen without harsher measures or restrictions being put into place.

In favor – this “Amendment” would add a little more teeth to the idea of replenishing the endowment, and provide us with additional security so that donations do not all go towards operating expenses.

Opposed to the Amendment – we already have a good track record of paying back our loans, and the financial committee now provides us with quarterly reports and line by line spending. Capital funds from the endowment for individual capital costs – such as the Audit and Pinnacle expenditures.

In favor – Obligating the funds would bind future boards – and ensure that a commitment is made to our future.

Opposed – Do we want to bind to this degree – which could result in laying off our staff and deferring key programs?

No need to call the question – discussion had ended.

Motion for “the Amendment” was overturned – 42 (against) /21 (for)
“The Amendment” doesn’t pass.

Previous Motion was reiterated by Tom Check and the Moderator:

- **“Calls on the congregation to with-drawl \$87,581 from the endowment.”**
- **Motion carries 52-10**
- **The congregation has granted the Board permission to with-drawl \$87,581 from the endowment.**

Meeting was adjourned by the Moderator at 2:45 pm.