

Report and Recommendations of the Investment Project Team

Mission & Vision Leadership
Presbytery of San Francisco
Meeting on September 8, 2015

Background and Charge

The Investment Project Team (IPT) was convened by Mission & Vision Leadership (MVL) of the Presbytery of San Francisco in April 2014, and started meeting in June. The IPT was charged to continue the work of the Investment Strategy Team (IST) that was formed in 2012 to make recommendations to Council (now MVL) and Presbytery concerning how to invest received and projected income from the sale of property, bequests, and funds dispersed to the Presbytery as a consequence of congregations leaving the PCUSA through the Gracious Dismissal Policy. The IST met over four months in 2012, but could not complete its task because the Mission Team (MT) of Council had not completed its work of developing the new Mission and Vision timeline. When that work was completed, MVL reengaged the work of the IST through forming the IPT, which could now proceed with greater confidence that their work was consistent with the Mission and Vision timeline process and priorities. Since the IPT was convened, the Presbytery Mission Statement was adopted, the Landscape Assessment was conducted, and progress was made in finalizing Mission Priorities that will be completed by the end of 2015. The IPT has met several times, and proceeded with input from many members of the Presbytery through conducting open meetings, listening sessions at Presbytery meetings, and soliciting input from any interested parties. This work has been undertaken prayerfully, and with a desire to see these resources deployed in responsible and highly creative ways to further and enhance the work of Christ in and through our varied ministries. There is yet much work to be done, but our charge was to propose a basic, conceptual framework through which we can move forward in faithfulness and hope.

Principles and Convictions

Our proposals are shaped and formed by discernment which proceeded from core principles and convictions:

- The end goal of choosing where to invest our money or on what we might wish to spend it can only be answered through the lens of our Presbytery missional priorities. While some clarity is emerging in that regard, we must have a structure that allows us to continue to answer the question, "What is God calling us to do in this Presbytery?" The mission priorities that the Presbytery is now discerning will ultimately need to define and determine investment targets and projected outcomes. Any structure we put in place now will need to be reviewed in coming years as our future direction comes more sharply into focus.

- Investment might normally lead one to think in terms of preserving capital and only spending some percentage of the asset base each year, over time, in perpetuity. Our sense of rate of return does encompass this understanding, but only in part. We believe rate of return should include investment income, revitalized congregations, property maintenance and acquisition, new forms of ministry in our Presbytery, and, most importantly, changed lives and healthy missional partnerships. We believe our assets should produce a variety of dividends, regardless of how we choose to invest them.
- This is a time of dramatic change for all the ministries in the Presbytery of San Francisco, both large and small. We believe that healthy ministries will take exciting new forms in the years to come, and we have tremendous assets if properly deployed to facilitate that change. Creating a context for disciplined experimentation to engage our future is not an easy task, organizationally speaking, and we will need to cultivate new proficiencies and capacity for adaptive change which our resources and leadership should be prepared to support and encourage.
- We are stewards, and not owners of these resources. They have come to us through the prayerful, disciplined generosity of many generations of Presbyterians in the Bay Area. It was not so long ago that our Presbytery was in deep financial distress, and it would appear that those days are now behind us. These funds, however, should be positioned in a manner that continues and enhances our collective witness to the love and justice of Jesus Christ in the Bay Area, and we applaud the ongoing work of the Presbytery in evaluating and adjusting its mission and staffing so that it can be truly sustainable and effective even with our reduced membership.
- Fear of risk is not the way of genuine Christian stewardship. We believe a holistic investment philosophy can yield a long-term structure that supports the mission of the Presbytery of San Francisco over time, and in a sustainable manner. We are a micro-climate Presbytery in a micro-climate region, with multiple ethnicities, lifestyles, languages, convictions and perspectives. We are the future of America, in many ways, and providing resources to develop ministry in truly collaborative and life-giving ways will offer hope and encouragement well beyond our region.

Recommendations

The IPT proposes that we set up four different “buckets,” each as an investment pool with a particular missional target in mind and a particular rate of return based upon that mission. These buckets are expressed in percentages of the amount of money that we project we will initially have for investment, as well as dollar amounts based on those percentages. One of these buckets, the largest, is set up along the lines of a traditional endowment which will provide annual income based on a percentage of its value in perpetuity. The remaining buckets will contain funds that can be drawn upon to fund particular ministry endeavors according to pathways that will need to be carefully and thoughtful constructed and monitored, with specialized training for leaders in each endeavor. We also propose that any financial investment gains from funds in any of the buckets be retained in that bucket unless Presbytery designates otherwise.

As regards each of the buckets, the costs for accounting, supervising, training, reviewing and supporting the work funded at an administrative and organizational level will be born by the fund itself. We recognize that it would not be appropriate to propose such a dramatic context for new, creative ministry development without also acknowledging that as good stewards the Presbytery must ensure that leaders are trained, resources are deployed as intended, outcomes are evaluated, work is supervised, and teams are properly resourced with what they need. Even as the Presbytery is now in a season of discernment regarding the size and scope of our staffing model, and is moving to bring our personnel costs in line with anticipated future income so as to be sustainable, we anticipate that some portion of staff time will be required to provide appropriate leadership in the model we are proposing.

The buckets are described below, and a one-page descriptor sheet is attached to this document. As we move forward in refining our Presbytery mission priorities, it is assumed that the focus and direction of some of these buckets will be altered in order to more explicitly align with our priorities, but based on our current knowledge of that process we believe there is high potential that this structure and focus will bear out well.

The first bucket will establish an endowment fund whose primary purpose is to generate a targeted annual income goal while preserving, and hopefully growing, the corpus moving forward. The fund is intended to preserve its value and modestly grow while generating yearly income. The amount of initial investment would be 60% of our current investment funds. This amount will be approximately \$10M, generating approximately \$400k per year in income. The fund will be comprised of money invested in our Presbyterian Foundation, money invested in our Presbytery Fidelity Investment Account, and interest bearing loans to our churches. The Finance & Property Oversight Committee (FPOC) manages this fund, in all its constituent parts, on behalf of the Presbytery. Income from this bucket will be allocated on an annual basis to facilitate the ongoing work and mission of the Presbytery. It is anticipated that, even with our anticipated restructuring of Presbytery staff, some portion of this annual income will be required to underwrite the staffing and operational costs of the Presbytery. Our Presbytery membership has been halved through the departure of a few congregations, which are mainly large churches. The per capita income upon which we have previously relied is no longer adequate to support even a reduced Presbytery staff and operations. Given that the overwhelming majority of our smaller and medium sized congregations are continuing in fellowship with the Presbytery, and their needs for support have not decreased, we support the process to discern what portion of proceeds from this fund might facilitate our continuing ability to properly support and resource our ministries through the Presbytery office. There was no consensus on the IPT regarding what percentage of this fund should be so employed, with some expressing concern that we become too dependent on this fund with regard to ongoing operational expenses. A proposal regarding funding support will be forthcoming once the Presbytery has considered a new staffing model sometime later in 2015. Even with the deployment of some of the income from this fund to this end, we anticipate a significant portion will be available on an annual basis to support other mission work of the Presbytery.

The second bucket is designated to support investment in regional missional work of the Presbytery to equip congregations in engaging their communities. We recognize that in a day when so much ministry energy seems to be directed towards maintenance under challenging circumstances, there is also an abundance of energy and vision to enhance and expand our mission. We sense an opportunity to create the context for regionally based groupings to function as mission teams in developing new ministries that are dynamically connected to the communities they serve. We are a diverse Presbytery by any standard one might choose to employ, and regional groups will be better able to determine community needs and opportunities in an accountable relationship to one another and the Presbytery. The nature of each project, and how that work can be developed with an eye towards becoming truly sustainable and owned by the larger community would be up to each team. Mission teams could request funds be set aside and only utilize traditional investment income, or they could propose to deploy an amount for immediate or gradual disbursement, or some combination. What this means practically is that in order for the buckets (with the exception of the first bucket) to have deployable resources beyond expenditure of the initially designated funds, they will need to be reseeded at some point in the future. The amount of initial investment would be 20% of our projected investment funds, or approximately \$3.4M.

The third bucket will provide financial resources for our churches, particularly our more vulnerable congregations, to facilitate a new intentionality in their mission and to improve the stewardship management of their facilities. We have to face the future boldly, and also with an appreciation that many of our congregations will require assistance to develop a ministry model that is in line with the gifts, ability, passion and calling they possess. The Presbytery must support them in assessing their health and evaluating new ministry models that might reverse their steady decline. In some cases, congregations will receive counsel as to how they can best move to a legacy ministry and discontinue operations as an active congregation. The Presbytery will need to define the details of this work, and collaboratively establish a pathway for our churches to receive help in mission planning, re-envisioning, redevelopment and rethinking their future, as well as to receive help in better managing their facilities for the future work of our church. The amount of initial investment will be 10% of the current investment funds, or approximately \$1.7M.

The fourth bucket is for equipping Presbytery leadership to reach and build up discipleship through new incubations, entrepreneurial mission endeavors, new church developments and non-traditional church plants that develop sustainable models to develop new mission in our Presbytery and enhance the wider connectional nature of our church. The incubation and entrepreneurial initiatives are intended to be mostly smaller enterprises that develop alongside our present churches, and are developed using methodologies developed by entities such as the Kaleidoscope Institute to build new relationships in the community as mission partners. They would be disciplined experiments with measurable outcomes based upon our missional priorities that will be approved by the Presbytery. The non-traditional church plants would be focused on tent-making ministers who have the

capacity or are trained in the capacity to raise their own funds. We are drawing leadership into the Presbytery even now who possess the skills and abilities to develop these types of ministry. As regards new church developments, despite our demonstrably uneven record as a denomination of successfully engaging this work, we do have many success stories in our Presbytery over time, and believe that this is still a vital and important work as we move forward. We understand that this bucket will require a skilled and thoughtful cohort of leadership, capable of true discernment and the disciplined use of limited financial resources. The amount of initial investment would be 10% of our projected investment funds, or approximately \$1.7M.

We recognize that setting up adequate controls, supervision and direction for the scope of work envisioned in the proposal will take time. The level of Presbytery staffing support designated to this end is, as yet, undetermined. We believe that “decently and in order” must be balanced with a freedom of action and discernment that is somewhat more decentralized than perhaps best suits our traditional sensibilities. It is our hope that entities requesting to employ these resources will not find themselves facing a host of gatekeepers and burdensome processes, but rather a supportive and encouraging administrative structure. It has been suggested that much of the work envisioned would best proceed through smaller initiatives and a tiered review process. We believe, in that spirit, that consideration should be given to releasing a sum, perhaps in the neighborhood of \$30,000, so that the Presbytery can have resources to continue developing this investment proposal, and also draw in resources for training such as those provided by the Kaleidoscope Institute.

Conclusion

We thank the Presbytery for the trust they have given us in pursuing our best discernment regarding the investment of precious resources that have come under our care, and for which we are stewards. We believe that true investment yields not only the dividend of financial increase, but also new ministry, enhanced partnerships, more sustainable ministries, the liberation of vision and, most importantly, hope. We aspired to develop a proposal that is inspirational, and also one that our many member ministries and congregations will receive with open hearts and minds as they consider what role they have to play in our shared mission for years to come. We see this proposal as a starting point, and commend this work to the Presbytery for ongoing refinement and improvement at its discretion, and with our blessing.



Investment Project Team SUMMARY

Bucket #1: Annual Grants to Support Ministry of the Presbytery

Initial Seeding: \$10M (60% of total)

Harvest: Establish endowment and provide annual grants to support 4% per year (\$400K)

Management: FPOC manages corpus, MVL proposes distribution as part of budget, approved by Presbytery.

Purpose: To provide funding support for Presbytery operations, special mission projects and initiatives.

Application Process: Requests through annual Presbytery budgeting process.

Review: MVL report to Presbytery.

Bucket #2: New mission work through regional congregational and ministry groups.

Initial Seeding: \$3.4M (20% of total)

Harvest: Entire amount available (5 year horizon unless replenished)

Management: Regional groups propose, FPOC confirms funds, MVL reviews, and Presbytery approves. Regional groups required to undergo training.

Purpose: To enhance collaborative, creative, sustainable ministry that is connected to communities served by our congregations and ministries.

Application Process: Through regional groupings.

Review: Annual report of outcomes from regional groups through MVL to Presbytery.

Bucket #3: Directly invest in vulnerable congregations to facilitate intentional ministry and property stewardship.

Initial Seeding: \$1.7 Million (10% of total)

Harvest: Entire amount available (5 year horizon unless replenished)

Management: Future ministry directions engagement structure TBD, and facilities support directed by FPOC and COM with Presbytery approval.

Purpose: To provide assistance for capital asset management and upkeep with smaller congregations as they seek to develop sustainable ministries.

Application Process: TBD by FPOC and COM

Review: Regular reporting to MVL and Presbytery.

Bucket #4: Launch entrepreneurial and experimental ministry to build disciples.

Initial Seeding: \$1.7 Million (10% of total)

Harvest: Entire amount available (5 year horizon unless replenished)

Management: TBD

Purpose: Disciplined experiments in building new ministries with measurable outcomes based on listening to the Holy Spirit for the purpose of building a connectional church.

Application Process: TBD

Review: TBD