

## SFZC BOARD MEETING

### Minutes

January 29, 2016

City Center

**Members Present:** Larry Bye, Linda Ruth Cutts, Helen Degenhardt, George Kellar, Brian McCaffrey, Dennis McNally, Piper Murakami, Margie O'Driscoll, Joe Rodriguez, Ed Sattizahn, Mark Schieble, Fu Schroeder, Anna Thorn, and Jon Voss.

**Officers Present:** Susan O'Connell, Rita Cummings, Jordan Thorn, and Jeremy Levie.

**Absent:** Roger Hillyard, Mark Lachman, and Albert Kutchins

### Approval of minutes

The November minutes were unanimously approved with the amendment that the section on SFZC's Sangha Project ( SFZC's SP) should show that the Board agreed to loan the SP \$40K from the capital campaign.

### President's Report/Update on SFZC 2016 Strategic Objectives

Susan reported that normally the Strategic Implementation Team (SIT) generates strategic objectives for the coming year, but this year that didn't happen because SIT has been focused on the five-year financial plan. Instead, Susan worked with Rita to use ideas from the five-year financial plan as the basis for forming this year's strategic objectives. They include the following: a) transitioning from employees to staff in the Tassajara Reservations office; b) exploring the feasibility of making the Payables/Receivables and Controller positions staff, training positions; c) shifting the Programs Department to focus more on online programs; d) improving marketing/communications efforts, e) finalizing the IT plan which will likely entail a one-time cost (of \$60-100K) next fiscal year for a network upgrade; f) increasing hospitality income; g) beginning the implementation of new food buying and selection plans, with a goal of 5% savings in food costs at each center; h) re-thinking and potentially restructuring the health insurance benefit; h) transitioning the administration of membership as part of the launch of SFZC's Sangha Project.

### Abbatial Reports

Central Abbess Linda Ruth Cutts: Linda went to Japan for Mitsu Suzuki's memorial ceremony and felt the importance of the relationship with the Suzuki family. Her trip was inspiring and she feels we still have a lot to learn from them. Linda is making an effort to anticipate needs in the Abbots' department so that she can do realistic and careful budgeting. She continues to be involved with the diversity work that began at Tri-temple meeting, as well as with the work of establishing the new conflict resolution process, including setting up the proposed facilitator positions. The alumni group also needs to be re-organized and re-vitalized.

Linda will be leading the GGF Spring Practice Period starting February 9<sup>th</sup>. She is also working on transitions/path of some of the most senior students at SFZC. Linda is very active with the Zen Inspired Senior Living (ZISL) project. Curriculum development work doesn't seem to be moving forward. She feels she needs to work harder on this. Finally, Linda is involved with Interfaith Power and Light and other organizations regarding climate change. She is publically engaged and speaking to the climate change emergency from a Buddhist point of view.

Abiding Abbess Fu Schroeder: Fu reported that she is fully engaged in the ZMC practice period and happily renewing her connection to Tassajara training. She is frustrated with the lack of agreement regarding temple forms at ZMC and has taken the initiative of bringing to the Abbots Group the question of establishing temple forms for ZMC. Fu would like to re-establish the forms transmitted by Suzuki-roshi. In addition, she is interested in exploring how we can make greater use of "radical candor" in giving feedback to one another.

Abiding Abbot Ed Sattizahn: Ed reported that 56 people are participating in the CC Practice Period in person and that 66 people are participating online. The recent one-day sitting was well attended with 85 at the last sitting. Ed is working with the Tanto and Director to clarify expectations and guidelines for residential training at CC. They will be establishing clear standards to communicate with students. Ed is working on the master plan and capital campaign at CC, the development of new programs and is very involved with the ZISL and SFZC's Sangha Project.

### **Finance Committee Report**

While previously looking at an \$80K cash flow deficit for this year, the Finance Committee has worked with the CFO and others to create a revised/re-forecasted budget that is now balanced for this FY. The new budget involved asking each center to make a \$20K adjustment for this FY. As of the end of November, there is a \$30K surplus, which will cover anticipated additional expenses from Health Care Insurance. Work has begun on next year's budget. The Finance Committee has established aspirational goals, including increasing long-term maintenance reserve funds. The two biggest cost drivers for the organization are health insurance and food costs.

SFZC has very low bank balance and not enough unrestricted capital. We are currently borrowing against restricted funds, but restricted funds are going down as we spend them. The Finance Committee is working with the CFO on a new way of tracking cash flow in order to improve financial planning capabilities.

### **Development Committee Report**

The department is doing very well. It raised \$956k this year (in both operational and restricted funds) and reached its goal for the annual fund campaign. The office is close to completing fundraising for the bell tower at GGF as well as completing the database transition/migration. The office is planning a lapsed member campaign before the end of the fiscal year. The two main reasons we lose members are financial difficulty and relocation. There is a legacy giving training coming up with a focus on giving in alignment with your personal values. There is also an upcoming meeting

of the Dharma Lamp Circle (SFZC Legacy givers). Two fundraising campaigns are coming up in the spring, including the Zen-a-thon, a combination of triathlon and walk-a-thon with a “distinctively contemplative touch.” The Development Committee expressed gratitude and appreciation to the Board for its participation in fundraising.

### **Endowment Committee Report on Social Screens for Investment Policy**

Nancy Kamei began by expressing thanks to Nick Binkley, Dean Gekas, Craig Neyman, and the other volunteer members of the Investment Committee for their work on the committee. A brief history of SFZC’s endowment was given. The endowment was established with a \$5.5M gift in 2009 that was held by the donor until 2014. SFZC has taken \$1.4M in draws from the endowment since 2012. In 2012 policies and procedures were established for SFZC to receive the gift from the donor. These policies include that the value of the endowment can never fall below the original gift amount and that SFZC can draw annually up to 5% of the endowment principal. These policies were established so that SFZC could never spend down the endowment and that it would provide a steady stream of income to the organization.

In 2013, Investment Committee members were recruited. In 2014, the endowment was received from the donor (the original \$5.5M gift had grown to \$10.8M and an additional \$6.5M gift was made to the retirement fund) and the investment committee began working on asset allocation for the money in the endowment. A large endowment might have 15-20 investments, but since SFZC’s is small it has three main investments: stocks, bonds, cash. The endowment was invested 70% in stocks and 30% in bonds. The investments in stocks were divided among three different kinds of stocks (largest to smallest): U.S. Large Cap stocks (45% of endowment), U.S. Small Cap stocks (10% of endowment), and International stocks (15% of endowment). Benchmarks were established to use for comparison for SFZC investments. For U.S. Large Cap stocks, the S&P 500 was established as the benchmark, for U.S. Small, the Russell 2500 was chosen, for International stocks, the MSCI EAFE is the benchmark, and for Bonds, the Barclays Aggregate is the benchmark.

These investments were made with the intention that the endowment would provide a steady cash flow over a long period of time. The Investment Committee then selected managers for each area of investment with the criteria that the manager has a 10-year track record and is has investments of \$500M or more in the funds SFZC is invested in. For U.S. Large Cap, the Spartan 500 index fund was chosen for investment; for U.S. Small cap, Fidelity mid cap was chosen; for International, the American Euro Pacific Growth Fund was chosen; and for Bonds, the Fidelity Total Bond Fund was chosen for investment.

In 2015, the Board requested the Investment Committee study the question of ethical investment practices. The Board asked what the implications would be of eliminating two classes of investments, first list A (firearms, tobacco, alcohol, gaming, pornography, weapons, other) then list B (carbon tracker 200, nuclear energy, industrial agricultural). The Investment Committee has found that there are potential managers who meet SFZC management criteria who could eliminate list A, however, all these managers underperformed managers without these constraints and were more

expensive. They had higher fees, both for management and transactions. No managers meeting SFZC's fund manager criteria have been found who could eliminate list B. So, the Investment Committee lowered its standards for managers in order to find some who could eliminate the B-list stocks. The Investment Committee is currently re-screening managers (now only requiring a 2-year track record rather than the original 10). Among other institutions—very few have implemented investment changes comparable to what we are looking to do.

Brian asked the board to examine why we are undertaking this work. What does divestment have to do with climate change? After all, if you sell stock and someone else buys it, it doesn't eliminate the activity affecting the environment. To directly affect climate change, it may be better to pay attention to our personal behavior. While selling doesn't change the activity of the business, if this is done as part of a movement, this can result in stigmatization of the industry in question, which may have possible consequences (e.g. what was done to the tobacco industry). There is also the ethical question: SFZC doesn't want to profit from bad things. This is an important issue, but we are talking about matters of degree. There was no screen on the original gift, so we are only talking about the ethical dimension of the interest earned on the endowment principal. The criteria given to the Investment Committee to investigate is the "gold standard." Looking at other comparable progressive institutions, SFZC is in the middle of the pack—other institutions are all over the map regarding their investment practices. It's important to be realistic about the financial consequence for SFZC of its investment policy. The income SFZC doesn't receive from investments is lost forever both the accumulated principal and the future interest on that principal.

Susan expressed interest in investing as skillful means and therefore interested in "impact investing." She suggests SFZC stay with stocks that we have and become "active investors," engaging with companies we are invested in to transform practices we don't like. Linda commented on our need to be educated so that we can talk skillfully and clearly about what we are doing and her feeling that she is disadvantaged by her own lack of education. Ed expressed confidence in the early standards that were established for managing the endowment. SFZC, as an institution, has had no experience managing investments. The volunteers on the Investment Committee have a lot of experience. He feels that the Investment Committee is making an effort to meet us and that it makes sense to wait for the Investment Committee process to play out so that Board can assess the risk/reward of re-allocating its investments.

Larry asked how the Board should regard its fiduciary duty. Is it acceptable to consciously take a loss because of other values? Craig reported that there is a range of opinions about this, from the view that ignoring climate change is itself a breach of fiduciary duty to the view that an institution should manage for maximum return. IRS guidelines support mission-based investing, suggesting that institutions are free to balance the protection of good investment returns against other important values.

Nancy reported that the Investment Committee does not know when it will present a recommendation. They need at least another meeting in order to develop a timeline. Whatever decision about investment policy is ultimately reached, it would be good for it to be communicated

clearly and with plenty of space for dialogue (since no decision will make everyone happy). The space for dialogue is important for the health of the community. It is also important to communicate the care and effort we are now taking, as very few organizations are being as conscientious as we are.

There was some agreement that it would be good to talk with other organizations working on this question. Joe mentioned that he works with the Silicon Valley Community Foundation, which has a high ethical standard combined with a good level of return. He is willing to put folks from SFZC in touch with people there.

### **ZISLP Report and Approval to Move Forward**

Susan, David Prowler, Walter Kieser, and Mark Schieble made a presentation on the ZISLP regarding a potential site for the project and asked the Board to make two decisions: whether to authorize the President to sign a Sonoma Mountain Village property purchase term sheet and authorize her to spend approximately \$335,000 to engage consultants to study the market, analyze project feasibility, develop a business plan and find a development partner. A detailed overview of the presentation is attached to these minutes.

Board members posed questions which Susan and the project team addressed. SFZC has spent \$300K and the current proposal is to spend another \$350K over four months if we sign the term sheet. The spending would come out of a \$1.5M gift that SFZC has already received for this project. SFZC will potentially get another \$1.5M once it has the property and is moving forward with the project. Whatever partner SFZC finds to work with on this will assume major financial risks in being responsible for raising the necessary capital, assuming the financial liability and proving the necessary expertise. The main benefit of the project for SFZC is the 20 units of retirement housing for monks, although possibly there may be some profit that can be divided with the development partner. The Board is advised not to go forward with the project only with the idea of an annual revenue return, but instead to respond to retiree housing needs and the strong interest of the community in the project.

Fu expressed her uncertainty about moving forward and raised questions about whether retirees would want to live there, what the programmatic responsibilities of retirees would be and other questions. She asked that approval be delayed until there was time to answer them. Others expressed the view that the project had received multiple previous approvals, funds exist to move to the next phase and that the project is deeply mission-based.

Linda moved, and Dennis seconded, a resolution of approval. It is appended to the minutes. The Board approved the resolution with one abstention from Fu due to the concerns she raised in the discussion. A second motion is made to authorize the president to transfer funds from the \$1.5M grant to the LLC. George moved with Margie seconding. It also passed with one abstention.

## **SFZC's Sangha Project Operating Agreement Approval**

Robert Thomas presented the Board with a proposed operating agreement for SFZC's Sangha Project (SFZC's SP). It is attached to these minutes.

The agreement is being presented in conformity with the November Board resolution that stipulated that an operating agreement for SFZC's SP be presented to the Board for approval no later than January 2016. Robert worked with Richard Landry to develop an operating agreement with 15 areas of agreement between the Sangha Project and SFZC. Robert then worked with Susan O'Connell, Brian McCaffrey, Abbot Ed Sattizahn, George Kellar, Central Abbess Linda Cutts, and Board Chair Larry Bye to finalize the document that has come to the Board. Robert said that the language that describes the 15 areas of agreement is still fairly general with details will get worked out as the SFZC's SP is developed.

The following amendments were proposed to the agreement:

- The purpose section of the agreement title would be renamed "Membership" and edited to include the language "SFZC's SP is designed to provide..." at the beginning of the section.
- A new purpose section was proposed with the following language: "San Francisco Zen Center (SFZC) has established the Sangha Project to create a community for spiritual friends to practice together and help each other meet the challenges of living in today's world."

Helen moved that the Board approve the agreement as amended and Margie seconded. It was approved with one abstention due to concerns about the SFZC's SP Spiritual Director being an SFZC employee.

## **Long-Range Plan Task Force Report**

Larry and Susan reported briefly that the timeline for the five year financial plan had been pushed back to accommodate the other business and work demands of staff. Early April is now the deadline for staff to submit the research for their part of the five-year financial plan to Allison of TDC. Allison will consolidate the pieces of the plan in preparation for a presentation to the Board. It is hoped that the board can finally approve the plan at its annual October retreat.

## **Executive Session**

The Board then went into executive session and the meeting ended.

Respectfully submitted,

Jeremy Levie

Secretary

### **ZISLP Resolution That Was Adopted**

**Whereas** on June 6<sup>th</sup>, 2009 and again on January 11<sup>th</sup>, 2011 the SFZC Board unanimously deemed the Zen-Inspired Senior Living Community (ZISLC) project in partnership with Northern California Presbyterian Homes and Services (NCPHS) to be a viable project, approved it in concept and supported the Senior Living Task Force to continue to develop this as “the best option so far that we have for addressing the issues of providing for our elder monks, and that it is cutting-edge, visionary and a necessity for ZC.”

**Whereas** On June 18<sup>th</sup> 2014 the SFZC Board approved further development of a new independent living model, without NCPHS as a partner and with SFZC in a leadership role, while simultaneously continuing to study the “interim housing plan” involving the first floor of 340 Page Street, and a “Plan B”, which will locate individual senior housing units for retirees.

**Whereas** on September 17<sup>th</sup>, 2014, the SFZC Board approved the negotiation of a Partnership with BRIDGE Housing to develop a Zen-Inspired Senior Living Community.

**Whereas**, the Task Force informed the SFZC Board that a piece of entitled property (Sonoma Mountain Village) in Rohnert Park, California had been located and was being investigated as the potential site for the ZISLC. Subsequently at the November 18<sup>th</sup>, 2015 SFZC Board meeting the SFZC Board was informed that BRIDGE Housing was withdrawing from the Partnership.

**Whereas** the Task Force has continued to negotiate with the owners of Sonoma Mountain Village and has interviewed and made contract arrangements with a Senior Living Market Survey professional, Maria Dwight, design Team Mithun/Solomon, and a Senior Housing consultant firm, Green Briar.

**Whereas**, terms have been negotiated and reviewed by the Task Force, and hereby it is being recommended that the SFZC Board approve the signing of this Term Sheet and allocation of a maximum amount of funds from the Johnson Fund single purpose grant.

**THEREFORE BE IT RESOLVED:** That the SFZC Board supports the Senior Living Task Force sign the Term sheet, and allocate funds from the grant to cover the cost of further development, not to exceed \$350,000.