

## **PRT report for Presbytery May 19, 2018**

Thank you for walking this journey with El Montecito Presbyterian Church. This has been without a doubt a very long journey. Each time I have been before you I have asked you to join in prayer for the PRT, for the ELMO team and for the congregation. Thank you. The church actually began their discerning process four years ago next month. The ELMO dismissal team and the entire congregation (many of whom are here today) have felt at times as though they are being put through the meat grinder – yet each time their graciousness and their love for Jesus always rose to the top.

**INTRODUCTIONS:** Before going any further, let me re-introduce you to the PRT: Rev. Ted Brandt – is not here today, actually he is out of the country on study leave. And wonderful, encourager, stick-by-my-side, Elder Diane Kirkpatrick. Oh yes, I am Janet Loughry and have the title of chair. Of all the TEAMS I have chaired this one was the most encouraging, stepped up to the plate, hung-in-there TEAM ever! Diane and I are here today to report and to answer any questions you may have. From ELMO, as you may remember John McManigal had been the chair of the ELMO team and died in the mudslides in January. The ELMO Dismissal Team is Bart Clemens, Barbara Mendelson and Carl Perry. All of whom are available to you today to answer any questions.

## **DOCUMENTS AVAILABLE AT THE WEBSITE**

First, let me outline for you the information (in addition to this report) that has been made available to you in advance of this meeting on the Presbytery website. The first document posted is the Presbytery's revised Gracious Dismissal Policy. As I let you know at earlier presbytery meetings, there have been FIVE rulings received over the past 3 plus years from the GAPJC and our Synod PJC that affect the dismissal process, each of which has been posted on the Presbytery website, along with a summary of those Rulings. Also posted earlier on the website are the documents distributed for the November 14, 2017 Presbytery meeting relating to the ELMO dismissal. More recently, we have added the documents from the February 10, 2018 Presbytery meeting relating to this dismissal, the ELMO property, and this process:

+Two appraisals, and the PRT summary of **ISSUES REGARDING THE TWO APPRAISALS**, which includes a description of some of the significant differences between them and comments that the PRT has received about them.

+A detailed **Chronology and History Narrative** that describes the step-by-by-step process through which we have been going, as outlined in a line-by-line annotation of the information obtained and tasks accomplished under our Gracious Dismissal Policy.

+A **CHECKLIST** of requirements of the Gracious Dismissal Policy. This particular document includes much of the same information as the narrative chronology, but organized in a somewhat different fashion so that each Commissioner can access the information in the manner most convenient for the Commissioner.

+ELMO provided the PRT with 6 years of financial statements. A **PRT Income and Expense and Cash Position Summary** has been posted to the website.

+The documents through which the dismissal, if approved, will be consummated have been provided for each Commissioner's consideration: The **Dismissal Agreement and Release and The Reversionary Deed** to which the PRT and the ELMO Committee, Session and congregation have agreed are posted.

+This PRT held three Congregational Gatherings, the Summary report of which has also been put on the website.

+Additional documents posted at the website include:

\*PRT Summary of Discernment Phase Assessment

\*PRT Report of Questions to Wider Presbytery Community, with Responses

\*Documentation about ELMO's Endowment Fund

\*A MAP of Carpinteria, Summerland, Santa Barbara and Goleta areas, highlighting nearby Presbyterian Church (U.S.A.) churches

+The posted material also describes how any Commissioner could obtain access to the more detailed information not posted on the website (e.g. review the full six years of financial statements).

Other than the most recent delay because of the (1) mudslides and death of John, other delays were the result of (2) the inaction of a former PRT member, (3) one of the GA PJC RULINGS which resulted in the re-write of our own Gracious Dismissal Policy, and then (4) the PRT meticulous complying with the new GDP and the recent Synod PJC rulings.

Much of the material I am about to read as part of my report today is also included in the Chronology and History Narrative or other documents that were posted. These are points that I particularly want to emphasize.

**The PRT considered whether the presbytery should retain the real property, the endowment and the other assets, along with the possibility of selling the real property and utilizing its stored value.**

**The leaders of presbytery committees were polled on the question of retaining or selling the property to further the mission of the presbytery. The committee leaders were instructed to discuss this question with their committees and report back to the PRT. Several creative ideas including a retreat center, counseling ministry, preschool, and new church development (NCD) were shared with and considered by the PRT. The full PRT Report Wider Presbytery Community, with Responses has been posted on the website. I include some highlights here:**

- **The leader who suggested a possible NCD at the property then went on to remark that there is likely no need to plant another Presbyterian congregation in or near Montecito, given that here are several PC(USA) congregations within a few miles**

of the El Montecito property, namely Summerland, Carpinteria, Santa Barbara First, and St. Andrews.

- Based on this poll, and in months listening to the presbytery on this issue, PRT has discerned no need or desire to establish an NCD in or near Montecito.

The alternative ideas for using the property all have significant (and likely expensive) obstacles to surmount, including zoning, managing, and the initial and ongoing investment required to support a going concern.

- In the unlikely event that presbytery could gain approval for a different use for the property, that would mean the end of Presbyterian Christian worship in that consecrated sanctuary on that property.
- The PRT cannot support this outcome, believing that ending Presbyterian Christian worship in this community would subvert the longstanding purpose and use of this property.

The restrictions for the property since 1888 have limited its use to be a “consecrated sanctuary for Presbyterian Christian worship.” The church property was acquired, developed, and has been continuously used by the congregation for that purpose.

- Santa Barbara zoning officials have communicated to the PRT that, although the property is zoned for single family residential, that approval for a change of use and redevelopment to anything other than a church was “not going to happen.”
- A process is underway to designate the church property as an historical landmark.
- It therefore seems prudent to assume that the property would need to continue being used for religious services and that approval for redevelopment or repurposing of the property is, at best, unlikely.

Furthermore, continuing worship on this consecrated ground would uphold some of our most foundational principles:

- The first *Mark of the Church*, namely, *The Unity of the Church* (F-1.0302a). Preserving Presbyterian Christian worship in this community, even and especially when a congregation is dismissed to another reformed body, is a sign of Christian unity.
  - Much goodwill and ministry partnership has been exhibited between the El Montecito congregation, the other congregations in Montecito, and its PC(USA) neighbors. There is every reason to believe that the Unity of the Church would continue once the El Montecito Presbyterian Church is dismissed to ECO.
- The first three *Great Ends of the Church* (F-1.0304), namely:
  - *The proclamation of the gospel for the salvation of humankind*
  - *The shelter, nurture, and spiritual fellowship of the children of God*
  - *The maintenance of divine worship*

The negotiations between the PRT and the congregation were conducted with a wide body of information at hand, including all documents cited in this report.

**Two appraisals were obtained for the ELMO real property, one for \$8,200,000 and one for \$5,000,000. During negotiations, the PRT had only the \$8,200,000 appraisal. Nonetheless, the PRT was unable to determine an exact value for the real property from that appraisal, because of the many concerns raised about the first appraisal. Even after obtaining the second appraisal, it remains difficult to determine an exact value for the real property, because of the stark differences between the two appraisals, because of concerns of how limited the pool of buyers might be (even more critical, now, in the aftermath of the Montecito fires and floods), and because of the limited utility of the ELMO real property otherwise for the Presbytery or for others.**

**ELMO also has liquid and investment assets of approximately \$2,300,000, approximately \$1,400,000 of which are an Endowment Fund, \$130,000 of which is in the Legacy fund (fundraising to assist in paying for the dismissal) and the rest of which funds are a mix of restricted and unrestricted funds. Using the higher real property appraisal (which probably overstates the value of the real property), total ELMO assets are approximately \$10,500,000; with the lower appraisal amount, total ELMO assets are approximately \$7,300,000.**

**In determining a gracious price (in addition to requiring current payoff of the PILP loan balance of approximately \$404,000), the PRT considered the following factors:**

- 1. ELMO's share of the Presbytery's long-term debt, \$90,037.**
- 2. Five years of current per capita payments, \$62,650.**
- 3. Reimbursement of the then-Presbytery costs, \$3,000.**
- 4. An additional sum of \$1,366,907 (which is from 13% to a little over 18% of ELMO's total asset value, based upon the two different appraisals).**

**The exact total of \$1,522,594 has been allocated into a down payment of \$350,000 and annual payments for ten years, starting at \$65,000 and increasing by 10% for the next four years and 15% for the following five years.**

Therefore, the dismissal price was arrived at after much prayerful consideration, review of all documents, and deliberation. The PRT did not set the price based on what the PRT thought the congregation could afford. The price is far above what representatives from the congregation thought that they should or could pay. In addition to the above, the PRT considered the following when arriving at terms of dismissal:

- A view of the church as in communion with all the saints, with responsibilities to those who came before and those who will follow.
- The mission of the congregation and of the presbytery.
- A duty to the well-being, financial and otherwise, of the presbytery and the denomination.
- The congregation and officers are trustees, not owners of the property in question. The fiduciary obligation is to the presbytery and the denomination.

- The appraised value of the real property and restrictions as described above.
- The preservation of Presbyterian Christian worship in this community and on this Montecito community and on this property.
- The constitutional principles of the Unity of the Church and Great Ends of the Church. (F-1.0302a) and (F-1.0304).

The PRT seeks to dismiss the congregation its real property and with all of its other assets, including its Endowment. This Endowment was established in 1986 to take effect upon the death of a Mr. Hackbert, who passed away in 2000. The trust document provided as follows (with the trust documentation posted on the website):

- “Upon the death of the Trustor ...the Trustee shall distribute the then remaining balance of the trust estate to EL MONTECITO PREBYTERIAN CHURCH... to establish an endowment fund from which the income but not the principal shall be used for the proper purposes of said church. Without making it a legal requirement, the Trustor requests that a substantial portion of such income be used for the Evangelistic and Missionary work of the Church.”
- The PRT notes that the endowment gift was given for the “proper purpose of said church,” referring to EL MONTECITO PRESBYTERIAN CHURCH. While taking into account the “trust clause” in the Book of Order, we note that this particular congregation is singled out as beneficiary, without mention of denomination or higher council, even as a reference point.
- Further, as the document states “the income and not the principal” was to be used for the purposes of “the Church.”
- Therefore, to fulfill the stated purpose of this gift, the PRT believes that the Presbytery must dismiss the congregation with the endowment.
- Relevant paragraph from endowment bequest:
  - “Upon the death of the Trustor .... The Trustee shall distribute the then remaining balance of the trust estate to EL MONTECITO PRESBYTERIAN CHURCH, 1455 East Valley Road, Montecito, California, to establish an endowment fund from which the income but not the principal shall be used for the proper purposes of said Church. Without making it a legal requirement, the Trustor requests that a substantial portion of such income be used for the Evangelistic and Missionary Work of the Church.”

The dismissal terms as originally negotiated between the PRT and the ELMO Dismissal Team included a prepayment option whereby ELMO received a consideration discount for a full, early prepayment. ELMO dismissal team decided to delete this prepayment discount, which seemed to be adding confusion and consternation to the decision process. With that decision approved by the ELMO Session, the congregation voted in agreement.

Therefore the Dismissal Agreement was adjusted to delete the prepayment discount. The congregation voted in favor of the precise Dismissal Agreement and Release (as so adjusted) and the Reversionary Deed at that Third Congregational Gathering.

## **SO, WHAT IS IN THIS DISMISSAL FOR THE PRESBYTERY?**

Right about now, if not before, it would be understandable if you are sitting here and wondering: “So, all well and good for ELMO, but what is good for the Presbytery? How will the Presbytery benefit from this dismissal if so voted today?”

Well, we are so glad you asked...

This Presbytery has released ten churches in recent years under terms that we now recognize were far too generous to the departing churches, leaving this Presbytery both capital and cash-flow short. The PRT understood going into these discussions with ELMO that the Presbytery could no longer afford to make a similar mistake. We also understand, however, that the denomination has called out to each presbytery to be GRACIOUS in its dismissal processes. It would be unjust (and certainly not gracious) to expect ELMO to make up for ALL of the shortcomings of the prior dismissal decisions.

**If ELMO remains within our Presbytery, its current per capita giving is approximately \$1500 annually AND ELMO would also expect membership losses (which will reduce per capita giving) to continue, as has happened over the past several years.**

**In contrast** (in addition to the \$350,000 down payment at time of final dismissal), under the terms of the Dismissal Agreement, ELMO will be making an annual payment beginning at \$65,000 and increasing by 10% for the next four years and then 15% for the following five years. This annual cash flow infusion will materially assist the Presbytery in being able to stably reorganize over the next several years.

The Dismissal Terms require ELMO to pay off the PILP loan with an outstanding balance approximately \$400,000, and make a down payment of \$350,000 to the Presbytery. That infusion of \$350,000 to the Presbytery, along with the ten years of payments (starting at \$65,000 the first year) would certainly give the Presbytery the financial resources through which we can regroup and better plan for the future.

We will have a time for questions before the vote. Let me close my report by saying that, as you have heard, the PRT has fulfilled its fiduciary duty under the trust clause and we have considered the interests of the Presbytery as well as the PCUSA as a beneficiary of property. We have taken under advisement each Judicial Ruling and every point in each (some of which are inconsistent with each other). I would ask and encourage you to remember the GRACIOUS part of the Gracious Dismissal Policy. We Presbyterians have a history of schisms – from way back, even before the major schisms arising around the Civil War. Along with those schisms we also have the history of mergers. Schisms, then mergers, then more schisms, and yes, again with the mergers. The likelihood of future mergers is increased by any graciousness during the schisms and during the time after a schism.

The world will continue to shift. Denominations will come and, yes, go. There will likely come a time in the future when the current and pressing issues of this schism will either be no longer, or at least, won't be seen as so pressing. The time will come when churches will come back, perhaps even ECO will no longer be, I don't know. But with continued joint mission like Impact, the PDA, spreading the gospel of Jesus Christ throughout this fantastic community and the world, hope and graciousness, not alienation, will be needed and will be remembered.

**Motion to Presbytery:**

The PRT proposes the motion to the Presbytery as to El Montecito Presbyterian Church are as follows:

1. That the Presbytery has confirmed that the Evangelical Covenant Order of Presbyterians (“ECO”) is another Reformed denomination;
2. That ELMO shall be dismissed to ECO upon all of the terms and conditions set forth in the Dismissal Agreement and Release submitted to this Presbytery, including (but not limited to) those described below;
3. That ELMO would be dismissed with all of its property (except as to the payment obligations described below) including but not limited to its real property, the endowment fund, and all other assets;
4. Central financial payment terms are:
  - a. ELMO to pay in full, and show proof of payment, of the remaining balance of the PILP loan (approximate balance \$400,000) after the expiration of the ninety (90) day period for filing a remedial action with no such action being filed, but prior to the Dismissal Date, as defined in Dismissal Agreement And Release, Item 9;
  - b. ELMO to pay a Down Payment of \$350,000, to Presbytery after the expiration of the ninety (90) day period for filing a remedial action with no such action being filed, but prior to the Dismissal Date;
  - c. ELMO to pay the balance of Dismissal amount of \$1,522,594 (namely \$1,172,594) over up to 10 years. The first annual payment shall be \$65,000 due September 1, 2019, with each of the following annual payments due on each successive annual anniversary of the Dismissal Date.
5. Recordation of the Reversionary Deed submitted to this Presbytery; and
6. Satisfaction of all other terms and conditions set forth in the Dismissal Agreement and Release.

That is our report Mr. Moderator!