

Brothers and Sisters in Christ of the Central Valley District:

I write to you to warn you of potential hazards arising from the restructuring of our church's financial controls due to the "law of unintended consequences" that were passed at the recent two-part District Conference (May 18 in Manteca and June 1 in Tulare) and at the recent Annual Conference Session. At the two-part District Conference we approved the by-laws of the District Union in an up-or-down (in toto) vote. At the recent Annual Conference Session we approved a change in our Standing Rules Division IX (2018 Journal, pages 289-290) regarding the disposition of local church owned property when a local church is closed and the property sold.

The Book of Discipline was revised a few General Conferences ago (in 1996 and/or 2000 I believe) to remove the Church Extension societies and to create District Unions. Among other changes, the societies were no longer allowed to hold title to properties. California-Nevada Annual Conference had not made the changeover to District Unions until the current year, 2019. Also, several of the Church Extension societies in the California-Nevada Annual Conference had not exercised proper financial controls of their finances and had either ceased to function or were "train wrecks" about to happen by the year 2019. To bring our structure into compliance with the Book of Discipline and to correct the past financial practices, the Annual Conference leadership had us create a structure with a set of bylaws and process of distributing funds from sale of church property. I believe in 20-30 years, we're going to regret this structure as the control pendulum swings too far toward the centralization of all financial controls and the overwhelming majority of the financial decision-making power to the conference office in Sacramento.

Weakened Checks & Balances — Centralization of Control

I do not believe the current Annual Conference leadership created the legislation out of malice or as an intentional power grab. However, the recently approved structure has created a very unequal power dynamic that I believe violates the spirit of the Methodist movement as expressed in the history of the United States. In his book "The Organization of the United Methodist Church" (the "Bible of United Methodist polity" according my mother who was the Oregon-Idaho Bishop's secretary for several bishops), Bishop Jack Tuell notes the similarities between the structure of the United Methodist Church and the United States government because the early Methodist church developed alongside the United States. Among other things, both the United States government and the United Methodist structures are built upon the idea of check-and-balances and preventing too much power being localized into one entity or person. The new District Union structure and Standing Rules change of the Annual Conference could lead to inappropriate abuses of power in the future that a District would be powerless to prevent.

Again, I'm *not* concerned about the current leadership but, rather, I'm looking to what could happen after 20-30 years when the current leadership and the current institutional memory is gone. I'm also speaking from over twenty years experience living in California as a resident and working in the largest higher education system in the United States (the California Community College System) as an educator and *long*-time member of college and district budget and curriculum committees, and college council. Top-down centralization of control and decision-making often leads to more problems than it solves. Policy-makers in the central office in Sacramento (whether it's the state legislature, state chancellor, or church conference leadership) may have good intentions but negative unintended consequences can still occur due to lack of taking into account the nuances of local situations or culture. Sometimes negative consequences happen in the more extreme cases of intentional abuse or disdain of the less-powerful.

District Unions Cannot Control Their Own Finances

According to the by-laws of the District Union developed by the Annual Conference leadership (Article IV, section 1, second paragraph), the “[District] Union is prohibited from authorizing its officers to open financial accounts or execute contracts for fiduciary management of assets.” The California-Nevada Annual Conference Treasurer in Sacramento will be the one who writes our checks and opens & manages the District Union’s financial accounts. The by-laws already provide sufficient constraints on where the District Union can receive funds from and to where funds can be distributed, as well as oversight by the District Superintendent to prevent conflict of interest issues and the D.S.’s approval of all loans. I believe the District Union’s officers should be allowed to open financial accounts and execute contracts if the District Union feels the District Union officers are financially competent and would be more responsive in executing the financial decisions of the District Union than the added layer of control by the Conference Treasurer. I must admit to being a bit flabbergasted when some members of the District Conference held in Tulare questioned why they should be able to write their own checks. Being able to spend one’s own money and manage one’s own investments gives the group the power to decide what is best for their own future.

It appears to me that the Annual Conference leadership does not trust the newly-established District Union to properly manage its own finances. I believe the District Union should be *given the choice* on whether to manage its own finances or to cede control to the Conference Treasurer but we were not given that option in the up-or-down (all or nothing) vote on the by-laws. I am hoping that the District Union will amend section 1 of Article IV to allow the officers to manage the Union’s finances if the Union *chooses* to exercise that power.

Unequal Control of Funds Leads to Transfer of Wealth

In Provision #3 of the Standing Rules Division IX change in the dispensation of local church owned property approved by the 2019 Annual Conference Session, there will be a 70-30 split of the allocation of funds between entities directly controlled by the Annual Conference leadership and the Central Valley District Union. I tried to change it to a more equitable 50-50 split to provide more incentive for the Annual Conference leadership to consult more closely with the District Union but it was voted down because the majority of the body felt that the 50% portion of proceeds from the sale of the local church’s property going to the District Union could not or would not be used outside of the District. My proposed amendment would remove the *automatic* allocation of 10% to the Core Team for use in funding strategic ministry initiatives for the annual conference and the *automatic* allocation of 10% to the Appointive Cabinet for use in funding appointments strategic for the annual conference. My proposed amendment would still allow the District Union to provide funding for annual conference strategic initiatives outside the District Union and for appointments outside the District Union *if the District Union desired* but it would *require* the conference’s Core Team and the Appointive Cabinet to consult and work closely with the District Union. As it stands, these two groups don’t have to do any consultation with the District Union because they get a combined 20% right off the top of any dispensation of local church property sales, not to mention the other 50% *automatically* allocated to Annual Conference controlled entities.

Furthermore, there is incentive to spend the proceeds of a Central Valley local church’s closure outside of the Central Valley, particularly shifting it to the Bay area because of the extremely high real estate and living costs there that require such huge investments of capital to get something off the ground there. Although, Central Valley can have representation on the various Annual Conference committees and agencies, in practical reality I don’t think it is a truly equal representation to that of the Bay area and Sacramento area. I see the allocations given in Provision #3 likely leading to a transfer of wealth from the poorer Central Valley to the

already wealthy Bay, Los Rios and El Camino Real districts. It may be a slow transfer but it is likely to happen.

Another reason why there will be a transfer of wealth from the poorer Central Valley District (and maybe also from the Great Northern District) to the richer districts is due to the unequal flow of money that can arise from how the two Conference Congregational Development Endowment Funds are allowed to spend their money. The Central Valley and Great Northern Districts have a larger number of rural and small urban places than the richer, greatly-urbanized districts. It is my understanding that according to the Book of Discipline, the assets of a discontinued local church/charge in an urban center larger than 50,000 people canNOT be spent in a community with less than 50,000 people. However, the proceeds from the sale of a local church in a community with less than 50,000 people can be used in communities with more than 50,000 people. That is a one-way flow of money which is out of equilibrium. Even if the outflow *may* be just a trickle, it could add up to a *sizable* transfer of wealth after 20-30 years.

I expect that the Annual Conference's Committee for New and Vital Congregations along with the Core Team and the Appointive Cabinet (through the D.S.) will be asking the District Union to use part of their 30% allocation for the expensive Bay area ministries. It is because of the likelihood of this transfer of wealth that I proposed a follow-up amendment that would require the Core Team to spend its 10% portion on strategic ministries in the district in which the discontinued charge was located and require the Appointive Cabinet to spend its 10% portion on appointments strategic for the district in which the discontinued charge was located. That amendment was voted down, even by many from the Central Valley.

I hope that this letter explains how I endeavored to look out for the best interests of the Central Valley District as well as point out the potential drawbacks to actions taken by the delegates at the recent District Conferences and the 2019 Annual Conference Session. I believe that equal financial power leads to more equal political power and equality leads to a more healthy and sustainable system. On a side note, I also hope that the Central Valley leadership is making sure that we have effective representation on the Committee for New and Vital Congregations because that committee manages 50% of the assets from the sale of a local church's property.

I appreciate your consideration of the points I raised. Blessings in your deliberations!

Nick Strobel