

## RECTORY FUND POLICY

### BACKGROUND:

For a number of years, there has been a trend in the Diocese of Niagara for parishes to sell their rectories. This has been driven for a number of reasons, including the following:

- < living in a rectory does not allow clergy to build up equity in their own home
- < clergy would not only build up equity by owning a home but also would gain the appreciated value in the property when they move
- < the cost to maintain a rectory including ongoing capital repairs can seem excessive for a parish
- < the effort to maintain the rectory up to an acceptable living standard can prove onerous for some parishes.

Parishes that have sold their rectory are required by Canon to invest the residual proceeds into the Diocesan Investment Fund managed by the Synod office. Parishes draw out the earned income, generated within the Investment Fund, to assist with the housing allowance of their rectors. This may be accomplished either by a monthly draw or periodic lump sum draws.

Parishes can provide a mortgage to their rector, from the rectory fund, to assist with the purchase of a house. Although, it is expected that the return on investment will be greater in the Investment Fund than by charging interest on a mortgage. In addition, clergy can likely obtain a mortgage at a better rate than the parish might provide. Parishes have also been allowed to borrow from their rectory fund for capital improvements to the church with the recommendation of the Financial Advisory Committee and subsequent approval of Synod Council. A repayment plan also needs to be in place prior to that approval.

At this moment, we are insuring 33 residential properties of which 16 are occupied by clergy.

### DIMINISHED VALUE:

Parishes have only been required to maintain the original value of their rectory fund. This being the amount that was originally deposited with the Diocese when the rectory property was sold. As many rectories were sold years ago, the actual purchasing power from their investment has declined, after taking into account the effects of inflation over a period of time. This means that the income produced by the invested funds has remained virtually unchanged over time, although, as we all know property values have risen dramatically.

In the case of parishes that maintained their rectory, we have seen escalating property values push up the dollar value of this asset. In light of this, we believe as good stewards and being financially astute that we need to ensure the value of rectory funds grow at least with the rate of inflation.

### PROPOSAL:

In order to ensure that the value of rectory funds grow at least at the inflationary rate, we propose that the rectory funds be governed as follows:

- i) the residual value of parish rectory funds, at the time the rectory is sold, will be treated as an endowed capital fund.
- ii) only 5% of the value of the total rectory fund may be withdrawn each year. This will be based on the value of the fund on October 31 to determine the following year's draw.
- iii) any growth in the fund greater than 5% will be placed in a restricted fund

and be used first to increase the capital of the fund at the annual inflationary rate and second to be available to meet the 5% draw down by the parish when the growth rate in a particular year is less than 5%.

- iv) if a parish chooses not to draw down 5% in a particular year, the difference will accumulate and remain available to be drawn down at any future period up to the amount available in that pool of funds.
- v) that the rectory funds be transferred to and administered by the Anglican Church Ministries Foundation, Niagara. The agreement set up by the Diocese would layout the framework for operating the rectory funds and provide separate accounting for each fund. This body already has the internal structure to track assets utilizing a fund accounting approach and sets an annual inflationary rate. As this would be a public report it may enhance accountability and changes in the individual funds would be visible.
- vi) that parishes be encouraged to grow and maintain the value of their rectory funds equivalent to the cost of a three bedroom home in their community.

Recommended to Synod Council by: Financial Advisory Committee (FAC) November 27, 2007

Approved by Synod Council on December 4, 2007 for implementation January 1, 2008