

## **ST JOHN'S CAPITAL TRUST FUND WHAT IS IT AND WHERE DID IT COME FROM?**

**By 1985 St John's finances were in a parlous state** – it had used all its property maintenance reserves and did not have sufficient income to pay for re-roofing, painting the Church or development of the 90 year old Sunday School building that crept up the McDonald Crescent side of the property which needed complete restoration. St John's wanted to find a way of providing sufficient income to cover long term maintenance and to relieve the congregation of the burden of maintaining an historic church and release energies for mission outreach and Christian education.

**City Council Ordinances and development rights.** It was found that the Wellington City Council's Code of Ordinances allowed, at that time, for the sale and transfer, in certain circumstances, of development rights to another site in the city. St John's had that right as it was '*registered as being an object or place of special interest for the purposes of this ordinance*'. The intention of the Council in allowing this transfer was to contribute to the long term retention and upkeep of historic sites within the city. The congregation agreed that the Church should seek to sell part of the rights the site had.

**Proposed use of proceeds.** St John's advised the City Council that the proceeds from a sale of the development rights would be used to establish a maintenance reserve that would provide for all maintenance to be done on the complex for the next century, and fund future capital development for the Church. The Convenor of the Town Planning Committee, in reply, said that the TPC considered that only a limited amount of plot ratio (the ratio between the size of the site and allowable floor space for the building) should be transferred and that this amount should be determined by the amount of funds actually needed by the Church for the work envisaged in maintenance and improvements to the property.

**Sale of development rights:** In 1987 St John's sold half of its site's excess entitlement to floor space, (7000 sq mtrs), as the congregation could not see that it would ever be able to use the site's full entitlement. As part of its approval for the sale the City Council expected the Church to maintain the buildings on the site to a reasonable level of repair and the Church Property Trustees covenanted with the Council to ensure this occurred. The sale proceeds (\$7.035 million) became the St John's Capital Trust Fund.

**Capital fund can only be used for capital expenditure.** Because the sale was of a property right and was a permanent reduction to the value of the Church site, (a capital value foregone), the Presbyterian Church Property Trustee's Act does not allow the fund to be used for anything other than capital expenditure. We can, therefore, only use the interest from the fund for operational expenses. The Church Property Trustees legally hold the funds for the beneficial use of St John's and formally undertake its investment, with advice of our St John's Investment Advisory Committee.

**Rules governing the fund.** The congregation agreed to *Rules to Govern St John's Capital Trust Fund* which, among other things, determined that priority use of the income after payment of investment administrative expenses was to:

i) provide sufficient funds to maintain the Trust Fund in real terms against inflation. This has been done every year since so, with adjustments made to cover inflation, the balance of the Trust Fund now stands at \$16.2 million. There has been just over 100% inflation since 1987 so the fund has more than doubled to maintain its 1987 real value.

ii) provide a high standard of maintenance and protection of the Church property, buildings and furnishings having regard to the permanent preservation of the property as a site of national importance, and

iii) any remaining funds to be available to meet any shortfall in the operating expenses of the Church, capital developments, and the wider work of the Church.

The Rules also established an Investment Advisory Committee, of between three and five members experienced in financial investment, the majority to be members of the congregation. The committee provides advice to the Church Property Trustees on investment of the fund.

**Review of Rules in 2008.** A major review of the Rules was undertaken in 2008 and it was *the unanimous view of the members of the working group that it is not prudent in the short or long term for the rules... to be changed.* The committee was not persuaded that the concerns, desires and principles which motivated the congregation at the time of the approval of the rules were less valid now than they were then. It believed that the foresight they demonstrated and the principle they espoused, that the fund should be passed on to future generations with the same monetary values in real terms as when the plot ratio was sold, still holds true.

**Increased activities over the last 25 years.** So, why are we needing to look at our financial situation again.? Firstly, the net income from the Trust Fund varies from year to year as inflation and interest rates vary but generally, net interest rates after inflation are much lower now than in the early years of the fund. But more importantly, St John's has increased its outgoings over three fold since then with significant increases in mission, outreach and Christian education work. In 2013 terms, St John's expenses in 1988 were just under \$400,000; the budget for 2013/14 in equivalent dollars is \$1.361 million. The budgeted income from the Trust Fund, after inflation adjustment for 2013/14 is \$479,232 and that does what it was intended to do, cover the property and maintenance costs.

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