

**TRUSTEES OF THE EPISCOPAL FUND & DIOCESAN PROPERTIES
OF THE EPISCOPAL DIOCESE OF NEWARK**

Minutes of the Quarterly Meeting held on December 14, 2011 – 3 p.m.
Episcopal House, Newark, New Jersey

The Bishop of Newark
Mr. Garde, Chair
Ms. Christie, Secretary
Rev. Ackland
Mr. Carpenter
Mr. Cooper
Ms. Harrison-Arnold
Mr. Milano
Ms. Mayes
Rev. Powers
Rev. Weber

Also Present
Diane Sammons, Chancellor
Mr. Shackford, Chief Financial Officer
Mr. Caputo, Property Manager
Canon Jacobs, Canon to the Ordinary

The meeting was called to order by Mr. Garde and opened with prayer by the Rev. Ackland.

I. Minutes of the September 14, 2011 Meeting of the Trustees

The minutes of the September 14, 2011 meeting were presented for review. Mr. Van Brunt's name was added as being in attendance.

On motion made by Mr. Milano and seconded by Mr. Carpenter, the minutes as amended were approved. All agreed.

The following interim resolution generated as a result of board electronic votes since the past quarterly meeting of the Trustees was presented for ratification pursuant to the by-laws.

Motion that the Trustees approve the issuance of an option to Jersey City Episcopal Community Development for the purchase of the property located at 134-142 Cator Avenue, Jersey City, in the amount of \$279,000.

Upon motion made by the Rev. Weber and seconded by Mr. Carpenter, this interim resolution was ratified. Mr. Van Brunt and Ms. Harrison-Arnold abstained.

II. Communications from the Bishop

Bishop Beckwith reported on two items of significance to the Trustees:

A. Christ Hospital, Jersey City

The Bishop reported on the vote by the Christ Hospital Board to sell the hospital to Prime Health Care of California. While this is not an issue that directly impacts the Trustees, the Bishop wanted the Trustees to be aware of this decision to the extent that it impacts the Diocese of Newark.

B. June 9, 2012 Special Convention

The Bishop advised the Trustees that a Special Convention of the Diocese would be called for June 9, 2012 to consider issues with regard to the approval of a canon relating to the denominational health plan.

C. Budget and Finance and Mission Strategy Committees

The Bishop advised the Trustees that he had appointed two different special committees to deal with issues of budget and finance and mission strategy for the Diocese over the course of the next three years. The purpose of the budget and finance committee was to give consideration to means of funding the Diocese over the course of the next three years. The mission strategy committee was intended to begin consideration to a mission strategy plan for the Diocese. Interim reports from both committees were to be presented in June, 2012. The period from June, 2012 to June, 2013 would be devoted to the mission and mission development issues.

III. Presentation of Financial Reports for the Period Ending September 30, 2011

Mr. Shackford presented the third quarter financial reports for the period ending September 30, 2011. Review of investment activity shows that because of market volatility there was a significant reduction in the market value of the total investment accounts as of the end of the third quarter of approximately \$3.2 million dollars. Much of that loss was recovered during the first part of October, 2011 with significant daily fluctuations continuing up until the date of the meeting. The net reduction in market value taking into account the restoration of values in early October was approximately \$750,000 as of the time of the meeting.

During the third quarter a bequest of \$249,229 from the Burrell Trust was received as was a \$102,000 tithe from the sale of property by Trinity Church Allendale. The Burrell proceeds were unrestricted as to use.

Further discussion was undertaken about the status of the lay pension plan and its underfunding. Actuarial analysis has provided a number for inclusion in the current Diocesan budget which will bring the lay pension plan to an amount appropriate for funding of current claims. The account still remains underfunded and steps will have to be taken to increase lay pension funding in future years.

A discussion was had with regard to Jersey City Funds which continue to bear negative cash position of approximately \$178,000. Consideration will need to be given to liquidating current assets to provide additional liquidity. A draft resolution splitting the total Jersey City investment account on a two-third/one-third basis between JCAM and the Trustees was presented for consideration. Additional questions were raised about the mechanism by which the funds would be split which will require further consideration. The resolution was deferred for future evaluation and consideration.

After consideration and on motion made by the Rev. Weber and seconded by Mr. Van Brunt, the financial statements for the period ending September 30, 2011 were approved. All agreed.

A general discussion was had with regard to a potential draft resolution mandating minimum levels of insurance coverage for all churches and entities in the Diocese. After consideration it was decided to defer consideration and a recommendation on the draft insurance resolution with the Trustees and the Chief Financial Officer recognizing the need for additional study with regard to potential costs. Additional consideration was given to the manner in which such a resolution would be presented for consideration and the educational process that would be required to make an informed decision on such a resolution.

IV. Endowment Fund Review

Mr. Garde presented the minutes of the July 13, 2011 special meeting of the Trustees with regard to the reorganization of various trustee endowment funds. After consideration and on motion made by Mr. Milano and seconded by Mr. Carpenter, the minutes of the July 13, 2011 special meeting were approved.

Mr. Garde indicated that the next steps in the endowment review process involved the presentation of resolutions regarding the consolidation and better definition of funds held by the Trustees for other organizations, primarily churches (missions, parishes and missions) and the consideration of the so-called special project cases which were funds that required additional evaluation and potential legal consideration by the Trustees.

V. Presentation of Draft 2012 Income and Expense Projections

Mr. Shackford presented a draft 2012 set of income and expense projections for consideration by the Trustees reflecting the currently understood needs for funding. These projections also reflected changes to Trustee Unrestricted Funds and available monies in light of the reallocation of assets conducted under Phase I of the endowment review. The creation of any kind of set of projections is difficult given the ever-changing needs for funding presented to the Trustees. An extended discussion followed with the agreement that additional work on the creation of future funding projections was required.

Given that the endowment review had resulted in the reduction of endowment funds paid to the operating budget of the Diocesan Council, the Chief Financial Officer made a request to the Trustees that they support the Diocesan operating budget for the year 2012 with the amount of money that would have been provided to the operating budget had the changes in the direction of endowment proceeds not been made. Review of the changes showed that the amount at issue was \$22,000.

After consideration on a motion made by Mr. Milano and seconded by Mr. Van Brunt, it was agreed to support the Diocesan Council operating budget in the amount of \$22,000. All agreed.

As additional support to the Diocesan operating budget, The Chief Financial Officer requested that the Trustees fund in its entirety the compensation package of the Diocesan property manager given that it was reasonable to assume that much, if not all, of his time is spent on the management and maintenance of Diocesan held properties.

On motion made by Mr. Van Brunt and seconded by Mr. Carpenter, it was agreed to provide 100% of the funding for the property manager's compensation package for the 2012 fiscal year. All agreed.

The Chief Financial officer reported that approximately \$102,000 had been received as a tithe from the newly merged Trinity Church, Allendale generated as part of the proceeds from the sale of surplus church property.

On motion made by Ms. Harrison-Arnold and seconded by Mr. Carpenter, it was agreed to allocate the \$102,000 Allendale tithe to those funds as reflected in the asset allocation policy.

The Chief Financial Officer also reported the receipt of the proceeds of the Burrell Trust in the amount of approximately \$249,000. This was a trust which had terminated with the proceeds to be paid to the Episcopal Diocese of Newark for use without restriction.

After much discussion and upon motion made by Mr. Milano and seconded by Mr. Carpenter, it was agreed to allocate Burrell Money as follows:

\$50,000 went to the Congregational Growth & Development Fund
\$50,000 was reserved for 2012 Trustee expenses

The remaining \$149,999 remains undesignated. It should be noted that \$50,000 of the undesignated balance has been used to cover Mission Church expenses to be repaid upon the sale of property.

It was agreed that after the completion of the upcoming Diocesan convention much additional work needed to be done with regard to Trustee income and expense projections for the year 2012 and beyond.

VI. St. Luke's, Hope, Endowment Withdrawal Request

Mr. Garde presented a request from St. Luke's, Hope for the withdrawal of monies from restricted endowment funds. The Trustees hold restricted funds for St. Luke's Church in Hope in the amount of approximately \$33,500 which are the excess proceeds from the sale of a long-held rectory and the purchase of a current existing rectory. The current existing rectory is vacant and in need of significant repairs. The proceeds held by the Trustees have a number of restrictions on them which would appear to limit their use to the purchase and maintenance of "rectory property." St. Luke's, Hope has submitted a request for between \$17,000 and \$20,000 in funding through a withdrawal from these funds to make necessary repairs to the property. Mr. Caputo was of the view that the Church would require at least \$25,000 to complete such repairs. Mr. Garde and counsel familiar with the restrictions were of the opinion that the requested use was appropriate even with the restrictions imposed on the use of these funds.

After consideration and upon motion made by the Rev. Weber and seconded by Ms. Harrison-Arnold, it was agreed to allow St. Luke's, Hope to withdraw up to \$25,000 from the existing restricted funds solely for purposes of making repairs and renovations to the existing rectory. All agreed.

A request for an endowment withdrawal from Christ Church, Harrison was deferred for future consideration and the collection of additional information.

VII. Diocesan Investment Trust

Mr. Milano, Mr. Cooper and the Rev. Powers reported on a meeting held the previous month with representatives of the Diocesan Investment Trust as a follow-up to the presentation made by the DIT at the September meeting of the Trustees. Consideration was being given by the DIT to the initiation of a process to a review the performance of the DIT's investment current manager (TIAA-CREFF).

VIII. Report of the Property Manager

Mr. Caputo presented the report of the property manager which included requests for funding for this quarter.

On motion made by Mr. Cooper and seconded by the Rev. Powers, the following funding requests were approved:

1. All Saints, Bergenfield - \$2,800 for chimney inspection and relining and removal of dangerous trees. Mr. Caputo noted that the cost of roof repairs for the flat roof, which had been previously approved by the Trustees, had come in at amount significantly less than the \$25,000 approved from the Trustees.
2. Good Shepherd, Ringwood - \$1,000 to fund the self-insured retention on the insurance claim incurred as a result of hurricane damage from Hurricane Irene, which resulted in flooding of the church and the creation of considerable amounts of mold, among other things. Total reconstruction cost is approximately \$74,941 with Church Insurance Company funding all amounts in excess of the \$1,000 deductible.
3. St. Andrews, Newark - \$6815 to fund the balance of Hurricane Irene repairs caused as a result of trees falling on the church. Total cost of repairs was \$63,150 with approximately \$56,335 funded through insurance proceeds. The requested amount seeks to fund the deductible between the insurance reimbursement and actual repair costs.
4. Episcopal House – The Diocese has been cited by the state for code violations with regard to the boiler. Quotes received in the amount of \$2890 for necessary repairs were submitted by the property manager.

All agreed.

Mr. Caputo advised the Trustees that a number of potential future funding requests from other mission and diocesan owned properties would be forthcoming...

Mr. Garde updated the Trustees on the status of various efforts to dispose of surplus church property, including the ongoing contract negotiations with regard to Trinity Church, Irvington and the potential buyer/developer for St. John's, Jersey City. No action was required.

IX. New Business

Mr. Garde noted that pursuant to the change in the Local Canons regarding the Trustees that Ms. Mayes and Ms. Christie had submitted their resignations as life time Trustees. The resignations

were accepted with regret and with thanks for their many years of service. Both Ms. Mayes and Ms... Christie indicated their intention to run for stated terms as Trustees at the Convention to be held in 2012.

There was no new business presented at the Trustees meeting other than as indicated.

X. Adjournment

The business of the Trustees having been completed, the meeting was adjourned upon motion at 5:40 pm. All agreed.

Respectfully submitted,

Marge Christie, Secretary

Respectfully submitted,