

Diocese of Pensacola-Tallahassee

Finance Commission Meeting

February 2, 2021

Minutes

The Diocesan Finance Commission met Tuesday, February 2nd at 4 pm. In attendance and participation via conference call were: Mr. Robert Emmanuel, Msgr. Michael Reed, Fr. Doug Halsema, Mr. Eric Nickelsen, Dr. William Simmons, Mr. Ed Largaespada, Bishop William Wack, and Mr. Nicolas Bray.

The Meeting began at 4 PM with a prayer from Bishop Wack.

The agenda was approved.

The minutes from previous meeting were approved.

Pastoral Center Update: Mr. Largaespada gave an update regarding what each department has been involved in over the last few months. Finance and accounting has been working with schools and parishes to help make them more sustainable this coming year and recover from Covid-19 financial struggles. Accounting has also been able to close the monthly books in half the time the last few months and going forward to allow for faster up-to-date financials for better decisions making.

Safety has been working with parishes and schools for savings related to insurance and workers compensation by having them devote more resources to preventive maintenance. Construction office has been working with Sacred Heart, Catholic High, and St Paul's School regarding their respected construction projects.

Ministry departments have been investing in virtual capabilities and providing more services throughout the diocese related to events and communication.

School Financial Performance: Mr. Largaespada informed the committee regarding the upcoming schools financial status and concerns they might be experiencing the coming year. He mentioned how the schools salaries will be impacted by Governor Desantis decision to increase salaries of all public school teachers, and the Diocesan schools having to compete and increase salary rates as well. Dr. Simmons asked what percentage the Diocese pays in comparison. Mr. Largaespada stated we are trying to pay 80% of the county. Overall the Diocese is at 80%. Some salaries are 85-95% of county salaries. This is one of the difficulties the school's experience trying to fill positions.

Mr. Emmanuel also informed the committee on the expanding scholarships with the Equality Act in the State of Florida. Mr. Largaespada was positive the schools would be able to benefit from the state scholarships, however Bishop Wack was concerned about the sticking to the teachings and Catholic Way in the school system.

Mr. Largaespada also expanded on the salary expense recognition being moved from June to July to help stabilize expense and financials at year end. Schools feel they have more money than they actually do at the end of the year by the additional salary expense and the schools end up losing money on the financials.

Mr. Largaespada updated everyone on enrollment being slightly down at 3%. Net income is tight, however the balance of cash overall has held constant the last 2 years with help of the Payroll Protection Plan. The overall cash balance is still over \$10mm. Dr. Simmons mentioned catholic schools provide a safety, better than many public schools which is a major drawer for parents.

Parish Financial Update: Mr. Largaespada provided an update of the Parishes financial status. Overall post Covid-19 offertory is down 9% year-to-date. Net Income remains positive before the debt reduction of the parishes Building Fund. The liquid assets of cash remain steady at \$40mm. The Payroll Protection Plan has helped sustain cash balances as well.

Medical Plan: Mr. Largaespada stated the medical plan has improved and deficits have been decreased. As the Covid-19 numbers have risen, the medical plan expenses have decreased. As Covid-19 numbers dropped, more individuals elected to go to the doctor causing an increase back in medical expenses. According to Mr. Largaespada we are on par with other insurance companies regarding their results. Dr. Simmons asked how participants determine a better price provide. Mr. Largaespada explained how each participant has access to a directory and if the employee uses the recommended provider we receive the savings. Dr. Simmons questioned the rating and quality of care the individual would be receiving. Mr. Largaespada confirmed they reflect a number of prices and services for a ranking of how many people go back.

Mr. Largaespada went over the minimal changes the medical plans would be experiencing. The High Deductible employee and spouse will be affected the most to keep expenses the same. Spouses of employees experienced the highest cost last year in comparison to groups and families. As of now the Employee pays 23% and the Employer pays 77%. Mr. Largaespada proposed changing the allocation to Employee paying 24% and Employer paying 76%, slightly savings the parish and schools money. Dr. Simmons motioned to approve the update to the medical plan. Mr. Emmanuel approved and thanked the staff.

Diocesan Financials: Mr. Largaespada provided an update of the Pastoral Center Financials. The Current Fund is currently working within budget. Revenues are higher than expected, even after the PPP Loan has been recognized. This quarter we received an unexpected \$500K donation towards the seminarian department. Mr. Largaespada mentioned we have had a good year, and going to have a better year. Subsidy expense is higher than budget because we are able to afford it. we are contributing more funds to the Priest Pension Plan as our cash balance in the current fund is stable at \$5mm. the Investment revenue has reflected a good market performance as well. The Investment committee met and reviewed the Diocesan Investment Policy.

The Deposit and Loan Fund is showing a good performance as we have established new loans. Expenses to Parish savings has decreased as well, with parishes withdrawing funds to cover building projects and operations. Mr. Largaespada also mentioned the account has been operating at a negative for some time, however we have decreased the loss in this account over the last few years.

The Self Insurance Fund is continue to do good and able to improve with the decrease in workers compensation claims with the increase in safety protocols. Mr. Largaespada provided an update on the Hurricanes as well. Hurricane Michael was anticipated at \$38mm loss. the Adjusters expected \$45mm loss, but we only wanted to use \$38mm to keep the cost down when we went to market. Hurricane Sally originally only anticipated a loss at \$1mm. it quickly jumped to a \$35mm loss, however Mr. Largaespada

wanted the loss to be more around \$26mm. The most recent estimated loss is currently at \$34 mm, however we are continuing to negotiate to try and have a lower number for market. We still want to make sure though we cover all hurricane related expenses for Sally.

Mr. Emmanuel opened the floor for discussion and questions. Dr. Simmons asked about the parish and schools watch list. Mr. Largaespada mentioned we have about 10 sites we are currently watching. The two schools are St John's School-Panama City and St John's School- Pensacola. St John's School- Panama City is hurricane related and Enrollment lower than expected. St John's- Pensacola has a new principal and is trying to bring enrollment up. There are 2-4 parishes that aren't doing that well, but because of their size impact of the overall financials they aren't that concerning. Bishop Wack was pleased John Paul II School wasn't on the list any more. Mr. Largaespada mentioned they are looking at expanding and building.

No new business.

Msgr. Reed closed in Prayer.

Meeting was adjourned.