

## **Diocese of Pensacola-Tallahassee**

### **Finance Commission Meeting**

**May 18, 2021**

#### **Minutes**

The Diocesan Finance Commission met Tuesday, May 18<sup>th</sup> 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, Ms. Kathy Crowley, 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.

Recap of Activities: Mr. Largaespada updated the committee on various activities throughout the Diocese. He stated how the Department of Safety and Risk Management is looking to expand the assessment of building/properties and updating the Diocesan Property values from \$330mm to \$395mm.

Hurricane Michael Loss of \$38mm caused a change in protocol and procedures ahead of Hurricane Sally. Mr. Emmanuel asked if the \$38mm included all funds from Parishes and Schools as he originally heard \$45mm. Mr. Largaespada explained how that was the expected loss from insurance carriers towards the hurricane loss. That includes all repairs and construction. The negative affect is that the insurance only made projections. Mr. Emmanuel asked what the net loss is expected to be after receiving insurance funds. Mr. Largaespada stated \$1mm related to Hurricane Michael.

Schools, specifically JP II are looking very positive as enrollment for JP II is going from 125 students to 200. MorningStar High School enrollment is going from 11 students to 18 students. Two schools remain challenges- St Johns Pensacola and St Johns Panama City. Mr. Juhas is trying to work with schools to bring them in a better light.

Mr. Largaespada provided an update on all the construction across the Diocese. St Dominic is continuing post hurricane renovations. Pensacola Catholic High expansion and St Paul's gym are both now completed.

School Financial Performance: Mr. Largaespada stated enrollment for the year is slightly ahead of projection, despite being down 3%. Schools have been impacted by Governor Desantis new policy to increase teacher salaries by 8-10K. Mr. Emmanuel mentioned how legislation is looking to increase the voucher program for private schools. Mr. Largaespada is hopeful we will be eligible in order to increase enrollment. Bishop Wack stated how it is being used as part of the advertising in hopes to get people to apply.

Combined schools cash balance remains healthy at over \$10mm. Schools are continuing to do fine, with exceptions of both St Johns.

Parish Financial Performance: Mr. Largaespada showed how fiscal year offertory is still down 3.5%, as they are still affected by Covid-19. We are seeing mass attendance on rise, hoping to be closer to previous years prior to the pandemic. Offertory is currently 4% higher than previous January-March.

Hurricane Update: Mr. Largaespada provided an update on Hurricane Michael and Sally. He explained why Hurricane Michael changed from \$38mm to \$45mm; to try to keep the loss at a \$38mm so the EPM is able to stand better when trying to negotiate better rates of premiums.

Hurricane Sally went from \$1mm to \$5mm, then to \$20mm, then to almost \$45mm. We have since negotiated back down to \$33.8mm. During negotiations, the EPM questioned while our assets received so much damage and cost was so high, compared to other insured properties in the area for less money. Mr. Largaespada explained how the eye hovered over our area, which caused the most damage.

To avoid the risk of being uninsured we have increased preventive maintenance to try to be in better shape. Hurricane damage of \$40mm is not in line with the market. We are trying to not only have coverage, but affordable premiums as well. Mr. Emmanuel explained how storms have bands with tornadoes and where some places have extensive damage, others place receive none. Mr. Largaespada explained the formula for coverage as to the metrics to measure distance from eye to determine how much we would receive from insurance. Mr. Largaespada explained how \$40mm was too high as we reduced to \$33.8mm by the adjusters; however, we don't want to make a mistake at time of negotiation and not be covered.

Pastoral Center Financials: Mr. Largaespada reviewed the Pastoral Center financials. He stated how expenses have been relative flat over the last 5 years, as we have shown a steady and healthy financial position over the last 5 years. Actual year to date are better than budget. Operational actuals revenue is higher than budget, as operative expenses are lower than budget.

The D&L has made significant amount of loans, from \$7mm to \$14mm. Savings have been brought down with withdrawals related to construction. Currently the D&L is seeing an increase in interest income, with a decrease in interest expense. The D&L is almost self-sufficient, however still needing to rely on investments. Currently the D&L has the cash for future projects.

Mr. Largaespada went on to discuss the SIF Fund. Right now, there is \$4.5mm set aside in the money market account related to hurricane expenses. St Dominic's has an estimate of \$4.9mm for projects, making cash short by about \$500K towards hurricane expenses. There is improvement in the medical program as expenses went down from \$2.2mm to \$2.1mm.

Budget: Mr. Largaespada reviewed each line item related to the upcoming budget for approval. The PPP Funds (Paycheck Protection Program) was forgave for the Pastoral Center, along with just about everyone who applied across the Diocese. The budget is set at breakeven, with using higher amounts of investment funds with the loss of PPP funding and loss in offertory/assessment. The budget also incorporated expenses related to preventive maintenance. Mr. Largaespada stated how drawing of investments have been prudent in using 3% of outstanding balances. Dr. Simmons questioned the \$719K of investment withdrawal is less than 3%, and asked about withdrawing more for Catholic Charities and other subsidies. Mr. Largaespada explained how there is an increase in Seminarian/Priest Education Department. An increase of \$50K has been added to the budget to support Catholic Charities. Investment withdrawals are set as using 3% of each fund individually, not all funds combined.

Mr. Emmanuel asked if the schools roll up in the budget and who created the budget. Mr. Largaespada responded Mr. Bray and myself. He went on to explain how Diocesan Financials are still segregated, even though we are trying to move to combine the financials all in one.

Mr. Emmanuel motioned to approve budget. Motion passed and accepted.

No new business.

Bishop Wack closing remarks congratulated Mr. Largaespada and team during all changes and challenges since Covid-19. He stated how we are already seeing benefits from things like the decrease in the medical plan expenses, allowing for more spending. The Diocesan position has been doing better than many other Diocese across the nation. He also thanked Bishops Parkes and Mr. Godlewski who he proceeded.

Msgr. Reed closed in Prayer.

Meeting was adjourned.