

Diocesan Finance Council Highlights-Approved
Thursday, March 10, 2022

Present were Bishop Robert Vasa, and eight members (including five by telephone) of the Diocesan Finance Council and three staff members. Bishop Vasa called the meeting to order and led the opening prayer. The minutes and highlights of the January meeting were approved as written.

1. **Report of Diocesan Finance Officer:** Deacon Joseph Oberting said about half of our parishes are now recognized by the California Franchise Tax Board as fully tax-exempt Corporation Soles. We purchased and renewed the QuickBooks licenses for the parishes and some schools. These are valid for three years and are managed through the Right Networks. Kelly Righetti is processing the upgrade installations for the entities. St. Vincent High School seems to be making progress and is moving forward with some of the annual fundraisers. Pat Daley is pleased with the number of incoming freshmen applications. There is a new superintendent of schools, Dr. Adrian Peterson. School budgets are due April 1st and three have already been turned in. Our Lady of Perpetual Help is still quite behind in payments. Fr Andre has requested relief of debt from prior clergy stipends and priest retirement billings. Parish does have about \$14,000 in the Catholic Community Foundation. Bishop Vasa stated that as no interest is being charged we should leave the debt as is on the financial statements. St. Helena Parish had refinanced their debt and has been making the scheduled payments on their loan. Bishop Vasa was concerned with the Chancery carrying these insurance receivables. There was discussion of the timing and methodology for property, liability, earthquake and auto insurance policies. Kim Sampietro explained that these policies were purchased in July, at the beginning of the fiscal year and then the insurances are billed to the parishes. Some entities pay in full immediately and some pay as they are able throughout the fiscal year. A similar process is followed for the large workers compensation calendar year policy.
2. **Report of Legal Counsel:** Dan Galvin reported on the misconduct cases. We are working with insurance companies to get reimbursed for attorney fees. We have been performing contract reviews for St. Sebastian Parish, St. Bernard Parish and Cardinal Newman High School. The Jones Day law firm has been retained by the Archdiocese of Los Angeles and the Diocese of Orange for the United States Supreme Court appeal on the opening of the statute of limitations. Adrienne has been working to get statements-of-facts for the cases and looking for insurance coverages.
3. **Committee Reports**
 - A. **Budget and Cash Flow Committee:** Dan Prince reported that the committee had met and reviewed the budget versus actual through January 31, 2022. He noted that the year-to-date report showed a positive variance of \$361,000, which included the unbudgeted revenue from the annual appeal of \$235,000. He requested that the annual appeal revenue be added to the budget in order for the total variance to be correct.
 - B. **Membership:** No report. Bishop Vasa mentioned that the first Finance Council terms for three members will be completed and he will request they remain for another term.

- C. Communications:** In the absence of Chris Lyford, Deacon Joe reported that there is ongoing progress to bring in new advertisers for the North Coast Catholic. The March/April issue will feature ads and articles from most of our Catholic Schools as well as interviews from many. We are soliciting printing estimates to compare prices and work on budgeting. Preparing to return to a monthly publication.
- D. Investment:** In the absence of Daniel Catone, Deacon Joe reviewed the flash report for the self-insurance fund. Overall this portfolio was slightly more conservative than other portfolios and as a result had a small increase from returns since inception, March/April 2021.
- E. Audit:** Steve Imboden said that the Audit Committee had not met. He stated that the audit would go out for bid this year.
- F. Property:** Marty McCormick reported that this afternoon he had received information on the possible sale of a home owned by the diocese at the St. John Parish in Napa. Marty said, and the council concurred, that the private sale of property was not in the best interest of the parish for financial transparency. The home had not been listed in the MLS and properties should always be listed in order to establish the market value. The agent had also entered into a Dual Agency agreement and said she would waive the commissions. Marty does not feel that Dual Agency agreements are a good business practice and also said that as an agent rather than a broker, the Dual Agent was not legally able to make that statement. Deacon Joe said that the home had been purchased for \$425,000 in 2007 by Father Kalil. The purchase price was going to be \$500,000 and the appraisal came in at \$600,000. It is an odd property, with extremely low ceilings and the location near the parish hall is busy with many events. Anna Hickey said that if information on listing and selling property is not included in the Parish Financial Management Handbook it should be added. Bishop Vasa said that at this time the property sale would not be approved and the property would be removed from the market.
- G. Building and Construction:** Bishop Vasa reported that Cardinal Newman High School continues to move forward with their \$19.0 million Student Life Center, Library and possibly Chapel project.
- H. Insurance and Human Resources:** Deacon Joe reviewed the Reta Trust Paid Claims Report for the period ended December 31. Premiums paid to Reta were \$3.0 million, gross claims paid plus fixed expenses were \$2.1 million, for a surplus \$0.9 million. Our healthcare rate change for the next fiscal year was a range from (3.3)% to +2.7% and has come in at +1.3%. As mentioned at the January meeting, health insurance was not billed to all entities during March, effectively rebating one months' premium (\$500K) to all entities. Last year the rates were subsidized by health insurance reserves resulting from Reta rebates. The health model used at the diocese allows us to subsidize families and cover our retired priest supplemental health plans and prescription costs. The frozen pension rates will remain the same as last year. The funding recommendation from Nicolay went from \$954k last year to \$774k this year, even with a bit more conservative return on investment (return expectations were lowered from 6% to 5%). We propose using \$150k from health insurance reserves, similar to last year, to assist in funding the frozen pension liability. The plan is on target to be 100% funded after 15 years. Volatile markets have caused a decrease of 8.2% in the market value of the lay pension investments from July 1, 2021 to March 4, 2022.

- I. **Development:** Deacon Joe reported that \$232,000 had been refunded to the parishes exceeding their goals for the 2021 Annual Ministry Appeal in February. Deacon Joe volunteered to speak at the parishes for the in-pew solicitation for the Appeal and is scheduled to visit eight parishes. The target for the 2022 Annual Ministry Appeal is \$872,000 and through the end of February we have pledges of \$499,000, mostly from the direct mail part of the appeal.

Tentative Dates for meetings were set and the meeting adjourned.