CATHOLIC DIOCESE OF SALT LAKE CITY
DIOCESAN FINANCE COUNCIL
Meeting Minutes of January 25, 2023
Pastoral Center, 27 C Street, Salt Lake City, Utah

PRESENT

Most Reverend Oscar A. Solis
Reverend Monsignor Colin F. Bircumshaw
Reverend John Evans
Deacon George Reade (Zoom)
Fred Strasser
Reverend Sam Dinsdale
Darcie Costello (Zoom)
Mark Longe
Kathie Roberts (Zoom)
Andrea Steenburgh
Candice Greenwald
Sarah Niemann, Secretary

Guests: Tom Pappas
Matt Pappas

NOT PRESENT

Doug Black

CALL TO ORDER AND OPENING PRAYER

The meeting was called to order at 2:41 pm as a continuance from the Real Estate Council meeting without opening prayer.

APPROVAL OF SEP 20 AND OCT 26, 2022 MINUTES

Father Evans made the move to approve the minutes for both the Sep and Oct 2022 meetings. Andrea Steenburgh seconded. Msgr. Colin asked for the vote on the motion to approve the minutes. The motion to approve passed unanimously.

ANNOUNCEMENTS

Msgr. Colin announced Father Sam Dinsdale has accepted the invitation from Bishop Solis to join the Diocesan Finance Council and the Diocesan Capital Corp Council. Msgr. Colin commented that "now we have another relatively young pastor to begin to learn more about the diocesan finances." He welcomed and publicly thanked Father Dinsdale for his willingness to take on this responsibility.

COTTONWOOD WEALTH STRATEGIES – MARKET OUTLOOK

Msgr. Colin welcomed Tom Pappas and Matt Pappas from the Cottonwood Wealth Strategies, who will "help us to shepherd the funds that we have during these tumultuous times."

Tom Pappas started by saying that "It was a difficult year all the way around in terms of finance when you talk about the economic issues. Any of the portfolios that we have for RCB are generally buffered heavily on the bond side. RCB have always been much more conservative than any other accounts that we manage. But what has been difficult is that the bonds did not act as much of a buffer last year. Bonds were affected negatively, almost to the extent that equities were, and so it was a difficult year. It's not something that we've never seen before, but it is unusual. The positive part of that is the bonds that we do go with are the individual bonds, which means that they all come back and they mature at some point in time. Most of them are very short term in terms of maturity. So, we don't have any concerns about issues with regards to the returns coming back and those monies coming back when they mature. We don't expect this year to be similar to last year. This is just based on the economic data. It will continue to be volatile, but I think we are on kind of an improving trend here. I think we're towards the end of what the Federal Reserves are trying to do. We're beginning to see some signs of improvement in terms of economic activity even though things have slowed. Inflation seems to be improving, all those are positive signs with regards to how capitals were established. Our concerns obviously were last year's in terms of how things transpired but they're not an overlaying concern, in other words, we do not have any issue with making any significant changes or seeing a need for that as the portfolios roll forward into the coming year. Again, the investments are buffered in the sense that those returns do come back when the bonds mature. We do not have any concerns with regards to long-term investments, not long term as in 10-15 years, I mean in the next 6-12 months. I expect things to rebound and to get back to normal returns."

Matt Pappas added "the economic implications of Covid were tremendous. It is hard to quantify that because we have never seen it before – in terms of the stimulus, in terms of cash that was put into the system, in terms of the measures that the governments in the global scale took to stem what we were going through was unheard of. So, part of what I believe we're seeing is some of those effects kind of sorting themselves through the system. When you have a 50% increase of the money supply in the system, that's going to have an effect. Even if you go all the way back to 2008, when the government was very stimulative in trying to keep the economy going, we never saw increases like that up until 2020. Just some things to think about are the economy we're in, the higher inflation, higher interest rates, issues with the supply chain, all of which by the way are generally improving. But these are massive changes that happened two years ago, and it's going to take some time. And I think that's part of what we're seeing. It's having some negative effects beyond those areas – layoffs (ie. Google, Amazon, Microsoft), in some cases one can argue that's not a good thing, but in some cases those companies probably over hired to compensate and take care of some of the demand that was happening before everything shut down. So, there are pockets of issues so to speak but in a general sense the overall trend seems to be improving. The supply chain is looking better, interest rates have come down, inflation in a lot of cases has gone down, we have not seen gas prices this low since 2019. Those are all good things and those are macro-economic barometers that we have in fact. Looking at the portfolio, our strategy is always one of practical and balance. When we talk about hedging returns and hedging downside, that comes from our balance approach. Last year was tough, in that those bonds which usually give us some of that balance, didn't. But we have begun and we're in the process of adding some other buffers into the mix to give us some of that balance. So, net-net, it' taken about half of the downside off the table for the portfolios balance from what the market was last year. I suspect as we get to start to move through the rest of this year. If the trend continues like we expect, I think it's going to be small by the way, but if it does continue, I suspect it will start tilting a little more aggressively. So, we need to pick some things that have growth areas, some things that have good long-term performance, but still keeping on the conservative. Again, the way we have it structured is beneficial in the sense that if we're right, we can shift quickly, we can adapt and participate, but if we're wrong, we can stay where we are and we can shift when necessary. Nothing that we're involved with has limitations in terms of how we can shift."

Tom's final comments were "Things will work out. We'll be OK. Companies find ways to be profitable whether interest rates are at 2% or 5%. They tend to do the right thing. Given that rates have gone up from 2 – 5%, that helps these portfolios because now we're able to lock in at higher rates than what we were able to last year. So, there are positive things out there, I would not get too caught up with the negativity in terms of what we're hearing right now. Again, we're going to be OK."

BISHOP SOLIS' COMMENTS

Bishop Solis stated that "there were a lot of variables in the last couple of years. The idea of volunteerism is passe nowadays. If you want someone to work and the expectation that you have on their work can be based on: 1) consistency of time commitment, 2) specialization or skills, and 3) risks of injury taken by volunteers – who will be responsible for them? Those were the variables we have encountered in recent years. Also, lifestyle has changed with people these days – husband and wife both having to work to meet the needs of the family, so they don't have much time to give to the church. They seem to be very busy that they forget the service to the church. That's the challenge that we face."

CLOSING COMMENTS

Msgr. Colin found the Priests Mutual Benefit Society commentaries provided by the Cottonwood Wealth Strategies in the quarterly meeting to be interesting and helpful. Candy mentioned it was also provided to the Catholic Foundation of Utah Investment Committee meeting as well.

Tom Pappas, in closing again said "I would tend to lean more on the optimistic side with regards to the diocese portfolio. We do not have any major concerns going forward."

NEXT MEETING AND ADJOURNMENT

The scheduling of the next meeting will be sometime in May 2023, and will be the meeting when budgets will be approved. This meeting was closed and moved to the Diocesan Capital Corp meeting.

Respectfully submitted,

Sarah Niemann