

Diocesan Finance Council Highlights-Approved
Thursday, March 9, 2017

Present were Bishop Robert Vasa, ten members of the Finance Council and four staff members. The Minutes and Highlights of the January meeting were approved with a word correction and some slight editing as put forth by Deacon Frank Dahl.

1. **Comments of Bishop Vasa:** Bishop Vasa expressed his gratitude to the members of the Finance Council for their diligence and participation. Much progress has been made in the Diocese, including the Investment Committee, attentiveness at the Building and Construction Committee, and the overall professionalism in the diocese. We need strong, engaged people at the parishes, especially in the areas of financial management and human resources.

2. **Report of Diocesan Finance Officer:** Dave Adams reviewed Monthly Finance Officers Report which shows an increase in cash, mostly due to the sale of property at 3336 Hermit Way. The Finance Council and College of Consultors had both voted via email and unanimously approved the sale of the property.
Dave also reviewed the Accounts Receivable summary and mentioned that St. Mary School in Ukiah is making payments on some older insurance balances.
The Diocese of Santa Rosa has made arrangements to repay the \$100,000 loan from the Diocese of Stockton. Along with the repayment, Bishop Vasa would like to donate \$50,000 to Stockton, as a gift, in lieu of the interest that was not charged for many years. The consensus was that this was a reasonable gift. The other two loans that have recent repayment arrangements are the Diocese of Oakland, with \$500,000 owed and repaid in full over five years and the Archdiocese of Los Angeles with \$1.5 million owed, to be repaid in part and forgiven in part over five years. The Diocese of Sacramento has generously been forgiving their loan to Santa Rosa by \$25,000 each year.
Dave also reviewed the Annual Parish Report Summary and asked the Council members to review and email any questions to be discussed at the next meeting. Gene asked why we were reviewing the parish financial information. Dave said that this is a Canon Law requirement. Bishop Vasa explained that it ties back to the Bishops responsibility to be vigilant. There was a question why some of the parish CCF balances were omitted from the spreadsheet. Kim Sampietro replied that this information was reported by the parishes directly as of June 30, 2016. Daniel Catone asked if the parishes are informed about Catholic Socially Responsible Investment Guidelines. The Bishop said that many were not as aware as they should be and that there is no mechanism currently in place for verification. For example the Christian Brothers and Ave Maria funds are both appropriate investments and the Humboldt Area Foundation is not appropriate using SRI guidelines. Bishop Vasa noted that Dave Adams, Frank Dahl and Dan Prince are working on setting up a parish review process. Canonically all parish investments should be approved by the Bishop.

3. **Report of Legal Counsel:** Dan Galvin reported that the attorneys had been doing some estate and trust work. Today Dan delivered a check to the Chancery for an estate that was

just settled and provided for one of our parishes. As part of some outreach work with Russ Ferriera and Deacon John Norris, presentations on estate planning, had been given at two parishes. The attorneys are reviewing contracts for building construction, solar and remodel projects. The attorneys have been monitoring legislation in Sacramento and currently nothing is pending there. The attorneys have also been working on filing articles of incorporation and the corresponding property transfers.

Father Villaruel asked about the procedures for the separate incorporations. The Bishop has the master documents and has updated the Articles of Incorporation based upon work that Dan Galvin has done with the Secretary of State's office. The Bishop personalizes the documents by parish and sends them to the pastor for signing. The Articles then go to Dan Galvin to be filed with the Secretary of State.

4. Committee Reports

- A. Budget and Cash Flow Committee:** Dan Prince reported that the committee had met and reviewed the cash flow information for January and February. Dan reported that through the end of February there was a positive variance overall of \$147,000.
- B. Membership:** Father Shaw said there was no report.
- C. Communications:** In the absence of Chris Lyford, Dave Adams reported that the committee continues to meet on a monthly basis with a focus on increasing readership and quality of the North Coast Catholic Newspaper, website and social media presence and inter-parish communications. They have created a user friendly interface called "Share your story" for individuals, parishes and organizations to submit stories to the website. Chris has been working with Lynne Peter to update the diocesan directory.
- D. Investment:** Dave Adams called the attention to the Hirtle Callaghan report. He mentioned that there are now four portfolios as the Priests Retirement portfolio had been added to Hirtle Callaghan. Daniel Catone said that he had reviewed the investments and was concerned that our committee may not be fully aware of the risk of each portfolio. Currently, the portfolio with the most potential volatility is the Catholic Community Foundation (CCF), second and third are the Lay and Priest Pension portfolios and last is the Self-Insurance and Chancery reserves. Daniel reported that if a 2008 financial recession recurred, the value of the CCF investments could decrease by 20 to 30 percent along with a potential serious decline in the other portfolios, possibly over \$10 million in the Lay Pension. Daniel suggested a more detailed examination of the risk of each portfolio and that the CCF should have options for parishes that are more risk averse. John Schultz noted that the CCF investment return to St. Elizabeth Mission in Philo had been poor over the past 22 months. Dave Adams volunteered to review the calculations.
- E. Audit:** Deacon Frank Dahl reported that the Audit Committee had met concerning the Diocesan Internal Control Project. Dave Adams has been working on the project and the goals are:
- Consistent reporting at the parish/school level
 - Document internal controls
 - Implement ongoing parish/school review program
 - Implement ongoing training program

Documents in development with no set date for completion are:

- Updates to Parish Finance Council Statutes

- Internal controls
- Finance manual (policies and procedures)
- Parish/school review program

F. Property: Dave Adams announced that the property on Hermit Way sold and closed in ten days. The Fountaingrove property is back on the market again. Bishop Vasa also mentioned that the Snake Ranch property needs to be sold.

G. Building and Construction: Dave Adams reported that the committee had met last week and there was much discussion of solar panel projects. John Schultz has a memo with much of the related information and explained that there needs to be high electrical usage to justify the cost of solar projects. Father Alvin also mentioned that as the technology is progressing rapidly, waiting would be smart. Joe Carroll, of Keysight Technology, recommended that parishes invest in energy conservation through motion sensor lights and energy efficient lighting. Bishop Vasa also suggested better insulation and windows would also be more cost efficient for smaller entities. Bishop Vasa reported that he had asked an architect to walk through the old St. Rose Rectory/Chancery and do some drawings of the building in use as a Priests Retirement Community for the clergy meeting in June. The building roof needs repair and there has recently been some water damage.

H. Insurance and Human Resources: In the absence of Bob Fish, Dave Adams reported that the committee will meet next week concerning setting health insurance rates for 2017-2018 and having employees pay a portion of the basic coverage. It is common in other dioceses for employees to pay some portion of their employee-only health care coverage. For the 2017-2018 renewal, employees in our Diocese will be asked to pay \$25 or \$50 per month on the basic plan. Employees may also be allowed to opt out of the coverage, after signing a form, subject to changing ACA rules. We are not allowed to give an incentive to employees for opting out of coverage. Open enrollment for the July 1st year is in mid-May. The committee also will review the frozen pension liability by entity and individual and possibly new methods for allocation of the liability. There may also be some allocation of the pension savings for employees that work past retirement age. Bishop Vasa mentioned that Catholic Charities, as a result of their increase in employees and high turnover, has been bearing an unfair allocation of the frozen pension cost. The Bishop also mentioned that the new employee manual project is moving forward. It should be finalized and in the parishes by the end of the fiscal year.

I. Development: Bishop Vasa reviewed the capital campaign handout. Deacon John Norris said pledge cancellations, as anticipated, are continuing. Bishop Vasa suggested an article in the North Coast Catholic discussing the benefits of the campaign in order to encourage continued participation. Daniel Catone asked how the CCF parish savings proceeds from the campaign could be used. Bishop Vasa replied that in an emergency the pastor could request the funds be withdrawn from the parish savings account at the CCF. The Bishop also reviewed the Annual Ministry Appeal 2017 handout, noting that the total appeal target is slightly less than last year and that the goal methodology had been adjusted to total revenue rather than Section 10 revenue. The parishes, as a minimum, are required to contribute 80% of target.

5. Tentative dates for meetings were set and the meeting adjourned.