



**DIOCESE OF SANTA ROSA
CHANCERY OFFICE**

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**Diocesan Finance Council Highlights-Approved
Thursday, November 10, 2016**

Present were Bishop Robert Vasa, eleven members of the Finance Council and three staff members. The Minutes and Highlights from the September meeting were approved as written.

- 1. Comments of Bishop Vasa:** The Bishop said that the process of separately incorporating the parishes had been reviewed with the priests in a series of meetings in Eureka, Ukiah, Calistoga and Santa Rosa. So far the Cathedral of St. Eugene and Holy Family Parish have separately incorporated. Information received by Dan Galvin from Sonoma and Napa Counties indicate that there will be no transfer tax or change in assessed valuation of the church properties with this change in ownership structure. Bishop Vasa would like the separate incorporation process to happen over the next year and a half. The corporate structure of Church Missions would be considered on a case by case basis. Bishop Vasa also mentioned the property at St. Bernard's Catholic School. He stated that Canonically and under civil law the high school is owned by the Roman Catholic Bishop. The balance of the campus is Canonically owned by St. Bernard Parish and under civil law owned by the Roman Catholic Welfare Corporation. When the Eureka parishes are separately incorporated the High School campus should also be considered.
- 2. Report of Diocesan Finance Officer:** Dave Adams reviewed the construction bridge loan of \$500,000 from the Diocese to the Cathedral of St. Eugene. The motion, by way of an email vote, to provide this financing had passed. The College of Consultors also approved the bridge loan. The Knights of Columbus were asked to provide longer term financing and their loan to the Cathedral seems to be close to being approved. St. Helena parish had a shortfall in the 2013 Annual Ministry Appeal of \$3495. Father Kalil recently paid \$2500 and is requesting that the remaining \$995 be forgiven. He has invested much money in the school and also has a large construction project. **Daniel Catone made the motion that the shortfall of \$995 from the 2013 Annual Ministry Appeal be forgiven. Father David Shaw seconded the motion, all approved with an abstention from Deacon Frank Dahl.**
- 3. Report of Legal Counsel:** In the absence of Dan Galvin, Dave Adams reported that the claim against St. Apollinaris Church is in discovery and depositions have been taken. This case is covered by insurance and the pastor followed all appropriate procedures. The Fountaingrove property is still on the market with potential buyers looking at it. Catholic Charities is having the attorneys review contracts with local hospitals to handle respite services for homeless patients being released by the hospital. There has also been work on various school issues involving personnel matters, student conduct matters and facility use agreements. The attorneys assisted Monsignor Whelton in closing the estate of Father Sheehy. There is also work on an estate with St. James Parish as the beneficiary.

4. Committee Reports

- A. Budget and Cash Flow Committee:** Dan Prince reported that the committee had met and reviewed the cash flow information for September and October. The committee also discussed the outlay at the Cardinal Newman Retreat Center. The committee also discussed that by freezing the Defined Benefit Pension plan, the Diocese had saved much money in funding future benefits.
- B. Membership:** No report.
- C. Communications:** In the absence of Chris Lyford, Dave Adams reported he (Dave) had not pursued putting the financial reports on the website or in the North Coast Catholic. Dave would like to have pie charts to show the usage of the Annual Appeal proceeds. The Diocese has a lot of flow through income and expenses that are not really part of the Chancery operations. Dave would like pie charts focusing on administration and ministries to appear both on our website and in the North Coast Catholic.
- D. Investment:** Daniel Catone reported that he had attended his first quarterly Investment Committee with Hirtle Callaghan. They are managing in a prudent manner and are in line with investment policy. Daniel would like to monitor timing of investment activity as Hirtle Callaghan adjusts weighting in different asset classes. The Investment Committee had felt comfortable with the risk level of the asset mix. Daniel would like to review his calculations with the committee as a repeat of the 2008 market downturn could cause a portfolio decline of 30%.
Dave Adams mentioned that Phil Myers and Daniel Catone had joined the Investment Committee and it was good to have someone that understands investments well enough to look at the risk more thoroughly.
- E. Audit:** Deacon Frank Dahl reported that the Committee had met on October 31 and reviewed the draft of the audited financial statements. From June 30, 2015 to June 30, 2016 net assets had declined by \$9 million, primarily as a result of the unfunded pension liability. The contributing factors are the performance of the portfolio, the discount rate and the anticipated rate of return on the plan assets. Dave Adams said this was a perfect storm for pension plans, as a result of the low interest rates, increased ages on the mortality tables and that the footnote resulting in the increased liability is the most conservative amount. He also mentioned that 70-80% of the plan participants are in the schools and the reported liability was for the entire Diocese rather than the Chancery offices. **Deacon Frank Dahl made the Audit Committee motion that the financial exhibits for the Diocese of Sana Rosa for the fiscal year ending June 30, 2016 be approved as drafted together with suggested revisions/corrections offered during the October 31, 2016 Audit Committee meeting. All approved.**
- F. Property:** Dave Adams reported that the Fountaingrove property had been in escrow but was likely to be back on the market. Bishop Vasa mentioned that the Marian Sisters had purchased an eight unit apartment complex on Hoen Avenue and were scheduled to move at the beginning of December. The Bishop is considering what should be done with the property at Hermit Way and was thinking about a residential care facility.

- G. Building and Construction:** Dave Adams reported that there were several small construction projects in process. The Holy Family Parish loan had been approved. St. Helena Parish Center is moving forward. As a result of the fire at St. Catherine Mission repairs will cost \$125,000-\$150,000 to restore the building, with most covered by insurance. St. Apollinaris is doing their earthquake repair work. There is water damage and the overall costs could be \$850,000.
- H. Insurance and Human Resources:** Dave Adams reported that when the original account was opened for the new diocesan health insurance, administered by Verus, it was funded with \$542,000 from the diocese. There are claims and the balance will probably be depleted over time. We are currently overcharging slightly in order to recoup the original \$542,000. For health insurance, we will be getting ready for next year, possibly adding a more basic plan. Dave reported that as a result of the underfunding of the Priests Retirement Plan the priest retirement billing would increase from \$470 to \$700 per month effective January 1. Dave also reported that the property appraisals were completed and indicate an overall increase in value of 12%, some properties more and some properties less. Effective January 1, the new values will be covered for insurance. Dave plans to provide the updated insurance cost information to the entities in January. Bishop Vasa said that the parish finance councils will need to review the appraisals to determine the appropriate insurance to carry (replacement cost or appraised value).
- I. Development:** Deacon John Norris reviewed the Capital Campaign handout. The Annual Ministry Appeal is in the collection phase, with no new pledges, however the number of donors, pledges and payments have all increased from last year. John also reported that the Annual Ministry Appeal goal methodology was changing to the total income method, with standard deductions and special deductions. There will be an appeal procedure and committee.

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