



**Offices of Vicar General &
Diocesan Financial Officer**

July 11, 2016

TO: Pastors, Principals, Administrators, Bookkeepers, and Finance Councils

FROM: Monsignor Francis Cilia, Vicar General
Jeff Osorio, Interim Diocesan Financial Officer

SUBJECT: FINAL Budget Guidelines for FY 2016-17

We apologize that this information comes to you after the beginning of the fiscal year; however, you are aware that circumstances beyond our control delayed this communication. Thank you for your understanding.

	15-16	16-17	%	Final or
PRIEST COMPENSATION:	<u>Annual</u>	<u>Annual</u>	<u>Change</u>	<u>Estimate</u>
A. Basic Stipend:	\$38,288	\$38,288	0%	Final
B. Annual Retreat Week:	700	800	14%	Final
C. Clergy Study Week:	700	750	7%	Final
D. Retirement Contributions:	13,691	13,691	0%	Final
E. Priest Counseling:	100	100	0%	Final
F. Comprehensive Benefits:	11,712	11,604	(0.9%)	Final
G. Housing Allowance:	25,151	25,151	0%	Final
H. Sabbatical Fund:	924	2,000	216%	Final

PERMANENT DEACON COMPENSATION:

	15-16	16-17	%	Final or
	<u>Annual</u>	<u>Annual</u>	<u>Change</u>	<u>Estimate</u>
A. Annual Retreat Week Cost:	700	800	14%	Final
B. Clergy Study Week Cost:	700	750	7%	Final

RELIGIOUS COMPENSATION:

- A. Compensation is to follow Parish Compensation Program promulgated by the Personnel Office.
- B. FICA, Pension and Comprehensive Benefits follow the same guidelines as for Lay Employees.



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LAY EMPLOYEES COMPENSATION:

- A. The *Parish Compensation Program* became mandatory on July 1, 2004. Appendix V of the *Parish Compensation Program* outlines specific guidelines for salary adjustments within the salary grades. Each Parish can adjust the salaries of its staff based on its own economic circumstances. Consult the Diocesan Personnel Office for additional information. Note that pay dates have changed.
- B. Teachers and principals are paid according to the salary scales reviewed and published each year by the Department of Education. Information will be released by the DOE and by HR.
- C. Medicare and Social Security withholding rates set by the government total 7.65% of annual wages (6.2% for social security to a maximum of \$118,500 of wages and 1.45% for Medicare on all wages). Given the average salaries in the Diocese, use the 7.65% of annual salaries for all lay and religious employees as the guideline. The actual amount may vary depending on the actions of the US Congress.

PENSION COSTS:

- A. For fiscal year 2016-2017, the Lay Pension billing is scheduled to be 14.65% of gross payroll for the calendar year ending 12/31/16, collected in the first half of 2017
- B. For the following fiscal year our Lay Pension Advisor has recommended increases between 15% and 18% for next calendar year. The Board decided to retain the 14.65% rate and advise parish and schools to expect an increase in following years.
- C. The Lay Pension billing for FY 2016-2017 is based on **gross** payroll for the calendar year 2016 including ALL full and part-time employees, pension eligible or not. Collection will be in 4 equal payments from March 2017 through June 2017.
- D. Religious Pension costs (for those who are not subject to FICA) are equivalent to the Lay Pension cost (14.65%) plus the FICA cost (7.65%) or 22.30%. This will adjust based on action of the Lay Pension Board.



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COMMERCIAL PACKAGE INSURANCE:

Average increase in premiums was 8.3% for FY 2015-16. For FY 2016-17 estimate a 5% increase. Note that very few locations will see that exact percentage change. The package insurance premium is allocated based on building square footage, number of employees, students, vehicles, etc.

A. Package Insurance Premiums

Expect a 5% average increase.

B. Self-Insurance Premiums

To cover a portion of the Diocesan deductibles for the various insurance programs we include amounts in the premiums billed to cover some portions of the deductibles. These costs are included in the premium changes shown above. Once deductible limits are reached, the locations are responsible for any additional costs not covered by insurance. Catholic Charities will be responsible for the whole SIR/deductibles pertaining to their operations.

If legal re-structure of Parishes and Schools occurs during 2016-17 there may be an adjustment in the allocation of the self-insured limit to each location.

C. Administration

Also included in the premiums charged are the salary and benefits and allocated office costs of the Facilities Director and associate director and the Risk Management Director and a portion of the CFO cost, a Compliance Officer and an assistant for the group, as well as claims administration costs from third party administrators and the cost of performing insurance appraisals for the properties of the Diocese. These costs are included in the overall premium costs.

WORKERS COMPENSATION:

A. Workers Compensation insurance costs are now set at the end of each calendar year for following calendar year. The whole amount will be invoiced early in the calendar year with installment due dates shown on that invoice. Monthly invoices will not be sent.

B. For the Calendar Year 2015 costs increased 9.9% on average.



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- C. Effective January 1, 2016 we became self-insured for workers' compensation insurance. All risk will be taken by the Diocese with some re-insurance for cases exceeding \$500,000. Premiums for the Calendar Year 2017 should be planned as FLAT to 2016 (i.e., zero % increase from 2016). Each site will be impacted differently based on the mix of employees they have and the attendant workers' comp rate assigned to their job.
- D. We will be using Athens Administrators as our new TPA. The medical provider network will be essentially the same.
- E. We will continue to offer through the Department of Risk Management, vehicle, IIPP and worker's comp training programs during the coming fiscal years.

HEALTH INSURANCE:

- A. Comprehensive Benefit costs include medical, dental, vision, life, accidental death, long term disability and administrative costs.
- B. For the Fiscal Year 2016-17, the amount charged to each location per eligible employee is at \$967 per month. This is a .9% decrease from the \$976 per month charged in the prior year.
- C. Please note that all of the Anthem plans as currently structured will be subject to the "Cadillac Tax" of the Affordable Care Act in 2018 subject to change by Congress. Additional information concerning the impact of this scheduled ACA Tax will be provided over the coming months. There will be NO impact from this anticipated tax on health rates for 2016-17.

PAYROLL SERVICE FEE:

- A. The total payroll fee for 2016-17 remains at 1.00% (.01) of gross payroll (defined as total salaries plus the employer cost of FICA/Medicare) for parishes and schools.
- B. The Payroll Service Fee covers the cost of the Payroll department salary and benefits and related office costs to process payroll, some costs of the HR Department, HRIS/Payroll fees, some bank fees, our self-insured Unemployment Insurance, and some costs of the Communications Department.



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DIOCESAN ASSESSMENT:

- A. Diocesan Assessment for FY 2016-17, beginning 7/1/16, will remain at 10% of the total collections (account 410000) as reported by the Parishes for the FY ending June 30, 2015.
- B. Note: If Audits determine that reported account 410000 Collections are under or over the stated amount, the Diocesan Assessment for that Parish will be adjusted up or down from the beginning of the fiscal year (this has happened this year!).

CEMETERY ASSESSMENT:

The Cemetery Assessment will continue at 5% of Gross Revenues for FY 2015-16.

AUTO MILEAGE REIMBURSEMENT:

Based on IRS guidelines, subject to periodic change, business mileage is to be reimbursed at \$0.54/mile for the period beginning Jan 1, 2016 (until changed by the IRS).

HOSPITAL MINISTRY:

The Hospital Ministry Assessment to the parishes not exempted (due to an existing structured and formal hospital ministry), will be \$3,716 for FY 2016/17. The assessment will be billed in one annual amount December 15th and due January 15th. Hospital Ministry costs increased for additional coverage at Regional Medical Center San Jose.

DISTRIBUTION OF RECEIPTS PROCESSED BY THE CHANCERY:

Effective July 1st 2015, receipts (donations, rents, dividends, etc.) processed by The Chancery for the benefit of a parish/school will be deposited in the beneficiary's Deposit Account instead of being electronically transferred to them on a one-by-one basis. Sites should use these funds for bill payment or wait until larger amounts have accumulated before requested withdrawal.

Likewise, Funds are no longer to be withdrawn from Deposit Accounts for the express purpose of writing a check back to the Chancery to cover expenses billed by the Chancery. The Chancery will debit Deposit Accounts for those bills.

Parishes/Schools are still free to request withdrawals from their accounts at any time when funds are needed. Please contact John Hoffman with any questions.



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LOAN AND DEPOSIT RATES:

The Deposit and Loan Rates for 2016-17 effective July 1, 2016 are as follows. These rates are subject to change at any time with notice posted 30 days in advance.

	<u>2016-17</u>
Savings	0.30%
1 yr Deposit	0.60%
2 yr Deposit	0.80%
6 yr Deposit	1.30%
Loan Rates	No change to existing loans. New Loans per revised D & L guidelines.