ADMINISTRATOR'S REPORT
Board of Directors' Meeting, September 29, 2018

State and Federal

1. State and DDS Budgets, FY 2018-19 – The State's FY 2018-19 budget of $201.4 billion is a 9.9% increase over last year. The Governor continues his focus on finishing the funding of the State's rainy day fund while providing additional funds for public safety, education, job creation, building infrastructure and combating both poverty and climate change.

The State budget includes $23.8 billion for health programs via the Department of Health and Human Services. This is a 7.1% increase from the prior year. Out of this amount, the Department of Developmental Services (DDS) allocation is $7.3 billion, which is a 5.1% increase over the prior year.

Attached is an informative article from the California Legislative Analyst's Office on the DDS budget. The analysis was written prior to passage of the budget and as such, the actual budget numbers may be slightly different. However, the importance of the article is that it identifies issues and trends of significance for all Regional Centers, as we look to best position ourselves for the provision of services in the future.

2. FY 2017-18 Statewide POS Expenditure Projection (a.k.a., PEP, and formerly known as the SOAR---Sufficiency Of Allocation Report) as of the end of June is estimating a surplus of $58 million to $72 million for Purchase Of Service expenditures state-wide.

Redwood Coast Regional Center

1. Fiscal Year 2018-19 Spending Authority – RCRC has received its "E-1" spending authority, or allocation, for FY 2018-19. The "E" refers to the 5th year of a 5 year contract and the "1" refers to the first amendment for this contract. For Purchase of Service (POS) this is $115.9 million, which is $11.6 million or 11% more than we ended the 2017-18 FY. Our Operations (OPS) allocation is $10.7 million, which after adjustments, is $160,000 or 1.6% more than we ended the 2017-18 FY. About $140,000 of this is for one FTE, which (at least on paper) is to be split 45% clinical team intake staff and 55% clerical supports. There is a small increase ($34,000) for operating expenses and a small decrease in rent (-$32,000). There is also a reduction of about $20,000 for unallocated reductions. We expect to receive additional POS funding throughout the year, but we do not expect to receive any additional OPS funds. While this appears to be another very tight year, I am cautiously optimistic that we will again end the year with a very small surplus in our OPS budget.

2. Fiscal Year 2017-18 Spending Authority (the fiscal year ended 6/30/18) – Since the last Board meeting RCRC has not received any additional funds. Our current POS spending authority appears to be slightly underfunded through year-end and our OPS spending authority has a small surplus at year end.

3. Cash Flow – As of the writing of this report we have 58 days cash on hand, which is about 40% more than our typical amount. With the new FY, DDS has returned to reimbursing our claims at 100%. We have also received our cash advances for the FY 2018-19. We had to use our line of credit with Union Bank to borrow $3M for 12 days in July. We are in the process of renewing our line of credit for the 2018-19 FY.

4. Financial Operations – Our financial reporting figures are based on expenses through the end of June, which is 100% of the way through the 2017-18 fiscal year. There is no report for the 2018-19 FY as there would only be one month to report on.

In looking at the **handouts**, our client count can be seen on **pages 9 & 16**. **Page 9** notes 4 RCRC clients in the Developmental Center (DC), all of which are forensic placements ordered by a court of law. Both pages show that while the client count continues to increase, it is not increasing as quickly as in the recent past. Included in this report is a Special Report on client growth, which will be reviewed below.

On **page 10** our "*Average*" Monthly year-to-date (YTD) POS Expenditures in the aggregate and on a per-person basis show a slight increase from last fiscal year's *Average* figures. The last several months of our "*Total*" Monthly POS Expenditures (**page 17**) and *Total* Monthly POS Expenditures Per Client, (**page 18**) show a slight decrease over last fiscal year. Much of the noted decrease is based on the consistent late billings by several large service providers.

"*Average*" Monthly Operations Expenditures YTD (**page 11**), both in the aggregate and on a *Per Client basis* show a slight increase this fiscal year, which is based on (1) the mandated wage rate increases for Regional Centers' staff that were effective 7/1/16, and (2) a decreasing staff vacancy rate.

Page 12 is a summary of the detail found on **page 13** (POS expenses) and **page 14** (OPS expenses). Mid-page is a summary of DDS' POS Expenditure Projection (PEP, formerly known as the SOAR), which estimates that RCRC may be slightly underfunded for its POS expenditures for FY 2017-18. Service providers have until around March 2020 to submit their claims for the 2017-18 FY.

Page 13 lists our monthly and YTD POS expenditures. Most expense categories are within an acceptable and anticipated range.

OPS expenditures, both for the month and YTD can be seen on **page 14**. Please note:

- Consulting and Temp Services is large compared to its budget as a result of the need to augment staffing this past year..
- Postage expense is high compared to its budget as a result of the timing of our need to fill our postage meters.
- The line for Total Operations Expenses indicates that $471,673 of our FY 2017-18 allocation remains unused. Of this amount, about 90%, or $420,000, is for earmarked for special expenditures (diversity outreach grant for 2 years, safety retrofit grant, CPP program, and late bills and encumbered purchases). This leaves about $52,000 of unused and un-earmarked OPS allocation at this time.

Graphs of expenses for the POS general ledger categories for the last four fiscal years are included as **pages 16 through 34**. In addition to the pages and expense categories already referenced above, please see the category-specific notes on each of the graphs. Also, please note the following:

- **Page 29** – Medical Care, Professional Services has seen an increase over the last 12 months due to the opening of a new service provider.
- **Pages 22, 26, 31 & 32** – Non-Medical Services, Supported Living Services and both in-home and out-of-home respite typically show a decrease for the last few months due to consistently late billings by one or more large service providers.

Miscellaneous Topics

Client Benefit Fund - The summary log of the Client Benefit Fund balance through June 30, 2018, and our most recent monthly statement, are included as **pages 35** & **36**.

Audit Update – We have yet to receive our FY 2015-16 and FY 2016-17 final DDS audit report.

Staffing – As of September 13, we had a staff vacancy factor of 4.9% as compared to 11.2% a year ago August. There are currently 9 staff vacancies which we are pursuing the backfilling of.

Special Report: Client Growth - **Pages 37 &38** show the change in our client count over the last 5 years, by county. In summary, we currently serve 32% (982) more clients than we did 5 years ago. Our smallest offices have seen the largest per cent change in the number of clients they serve, while Humboldt County has seen the larges portion (43%) of our total growth. **Pages 39-41** provide a breakout of our client count by service coordination unit within each county. Humboldt and Del Norte Counties are on one graph as the Del Norte office does not track client statistics by unit. Lake County's Intake Unit has seen the larges percent change and currently serves 83% (55) more clients than they did 5 years ago. . In Humboldt County, both the Children's' Unit and the Transition Unit have seen close to a 60% increase in the clients they serve (260 and 101 clients, respectively). Mendocino County's Children's' Unit provides services to about 40% (130) more clients than 5 years ago. All of these increases have implications for staffing and facility use. Service coordination staff have grown by 14 staff, or 24% over this same time period. Over this 5 year period, our overall case load ratio grew by 10% (from 60.9 to 67.1). The increase in clients divided by the increase in staff over the 5 year period equates to a case load ratio of 70:1.

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