ADMINISTRATOR'S REPORT
Board of Directors' Meeting, July 20, 2018

State and Federal

1. 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 May is estimating a surplus of $47 million to $70 million for Purchase Of Service expenditures state-wide. It is interesting to note that DDS was projecting up to a 1% deficit in POS statewide last February, but is now projecting as much as a 1.3% POS surplus. RCRC's PEP is projecting that RCRC is adequately funded for FY 2017-18 in POS by about $1 million.

Redwood Coast Regional Center

1. Fiscal Year 2018-19 Spending Authority (the new fiscal year as of 7/1/18) – RCRC has received its "Preliminary" spending authority, or allocation, for FY 2018-19. For POS this is $90 million (14% less than we ended the 2017-18 FY) and for OPS this is $8.6 million (21% less than we ended the 2017-18 FY). However, these amounts are estimated to be only 80% of the full spending authority, the remainder of which we will receive in late August or early September. Based on the "Preliminary" OPS allocation, it would appear that "regular" OPS (non-earmarked OPS funds) may only receive a 3.8% increase (about $280,000). If this is the case, it will be another very, very tight year as this is barely enough to cover anticipated cost increases. As noted above, we will know more in late August or early September.

2. Fiscal Year 2017-18 Spending Authority (the fiscal year just ended 6/30/18) – Since the last Board meeting RCRC has not received any additional funds. As noted above, our current Purchase Of Service (POS) spending authority appears adequate through year-end. Similarly, our Operations (OPS) spending authority is now projecting a small surplus at year end.

3. Cash Flow – As of the writing of this report we have 15 days cash on hand, which is about 1/3 of our typical amount. Starting with our March reimbursement, DDS has been reimbursing us about 40% of our billed amounts (remember: *when DDS has a cash flow problem, we have a cash flow problem*). Our line of credit with Union Bank has been renewed (for $12.5 million) and should be adequate to cover our projected cash flow needs.

4. Financial Operations – Our financial reporting figures are based on expenses through the end of May, which is 92% of the way through the 2017-18 fiscal year.

In looking at the **handouts**, our client count can be seen on **pages 5 & 12. Page 5** notes 5 RCRC clients in the Developmental Center (DC), all of which are forensic placements ordered by a court of law. Both pages show that the increasing client count of the past several years has leveled off somewhat.

On **page 6** 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. Our "*Total*" Monthly POS Expenditures (**page 13**) and *Total* Monthly POS Expenditures Per Client, (**page 14**) 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 7**), 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 8 is a summary of the detail found on **page 9** (POS expenses) and **page 10** (OPS expenses). Mid-page is a summary of RCRC's POS Expenditure Projection (PEP, formerly known as the SOAR), which estimates that RCRC should be adequately funded for its POS expenditures for FY 2017-18.

Page 9 lists our monthly and YTD POS expenditures. Most expense categories are within an acceptable and anticipated range for this point in the year.

OPS expenditures, both for the month and YTD can be seen on **page 10**. Please note:

- Consulting and Temp Services is large YTD as a result of the need to augment staffing.
- Postage – This year's expense is high compared to last year, as last year postage expense was relatively minimal as postage meters were all filled just prior to the start of the fiscal year.
- Legal Fees – About 80% of these fees are for staffing fair hearings.
- BOD Expenses – The funds are relatively small so a small increase can result in a large per cent change.
- Fees/Licenses/Misc. – 70% of these expenses are for temp services.

Graphs of expenses for the POS general ledger categories for the last four fiscal years are included as **pages 12 through 30**. In addition to the pages and expense categories already referenced above, please see the notes on several of the charts. In addition please note the following:

- **Page 18** - Non-Medical Services typically show a decrease for the last few months due to consistently late billings by one or more large behavioral health service providers.
- **Page 25** – Medical Care, Professional Services has seen an increase over the last 12 months due to the opening of a new service provider.

Miscellaneous Topics

Client Benefit Fund - The summary log of the Client Benefit Fund balance through May 31, 2018, and our most recent monthly statement, are included as **pages 31** & **32**.

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

Staffing – As of May 31st, we had a staff vacancy factor of 4.5% as compared to 12.1% a year ago. The hiring freeze has been lifted and we are pursuing backfilling of vacant positions if estimated to be sustainable in the coming fiscal year.

END