

ADMINISTRATOR'S REPORT
Board of Directors' Meeting, September 21, 2019

State and Federal

1. State and DDS Budgets, FY 2019-20 – The State's FY 2019-20 budget of \$214.8 billion is a 9.4% increase over last year. The Governor's focus is to combat the cost crisis and maintain fiscal discipline by focusing on funding of the State's rainy day fund while providing additional funds for public safety, education, building infrastructure and combating both poverty and climate change.

The State budget includes \$163 billion for all health and human service programs via the Department of Health and Human Services. Out of this amount, the Department of Developmental Services (DDS) allocation is \$7.8 billion, which is a 5.9% 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 2019-20 Statewide POS Expenditure Projection (a.k.a., PEP, and formerly known as the SOAR--Sufficiency Of Allocation Report) as of the end of August is estimating a deficit of \$9.5 million to \$16 million for Purchase Of Service expenditures state-wide.

Redwood Coast Regional Center

1. Fiscal Year 2019-20 Spending Authority – RCRC has received its "A-1" spending authority, or allocation, for FY 2019-20. The "a" refers to the 1st year of a 5 year contract and the "1" refers to the first amendment for this contract. For Purchase of Service (POS) this is \$127.5 million, which is \$10 million or 9.2% more than we ended the 2018-19 FY. Our Operations (OPS) allocation is \$10.6 million which is about \$45,000 or 1% less than we ended the 2018-19 FY, excluding CPP funding. The decrease comes from a reduction of \$4,000 in IT Software and Maintenance, reduction in rent costs of \$30,000, and increased reduction in Intake & Assessment 60-120 days. We expect to receive additional POS funding throughout the year and expect to receive very small increase additional OPS funds to fund new policy items. This appears to be another very tight year, I am guardedly optimistic that we will again end the year with a very small surplus in our OPS budget.

2. Fiscal Year 2018-19 Spending Authority (the fiscal year ended 6/30/19) – Since the last Board meeting RCRC has not received any additional funds. Our current POS spending authority appears to be funded 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 40 days cash on hand. With the new FY, DDS has returned to reimbursing our claims at 100%. We have also received our cash advances for the FY 2019-20. We had to use our line of credit with Union Bank to borrow \$2M for 9 days in July. We are in the process of renewing our line of credit for the 2019-20 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 2018-19 fiscal year. There is no report for the 2019-20 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.

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 increase over last fiscal year.

"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) increased wages, 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 fully funded for its POS expenditures for FY 2018-19. Service providers have until around March 2021 to submit their claims for the 2018-19 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:

- Data Processing is relatively high YTD compared to budget based on consulting fees associated with our change from an in-house computer server based architecture to a cloud-based computer server architecture.
- Board Expenses are high YTD compared to budget based on retreat expenses.
- Equipment Purchases are relatively high YTD due to increased technological needs.
- Travel is relatively high YTD due to coverage of Lakeport office and training new hires.
- Advertising expenses are high YTD compared to budget based recruitment of staff.
- Facility Maintenance are relatively high YTD compared to budget. These numbers are small and so a small increase can result in a large % change.
- 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 \$131,162 of our FY 2018-19 allocation remains unused. The remaining amount is for earmarked for late bills and encumbered purchases.

Graphs of POS Expenses for the general ledger categories for the current and 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 that many POS categories show a decrease over the last several months. This is due to both late billings and our moving up the time frame for when we run reports each month.

Miscellaneous Topics

Client Benefit Fund - The summary log of the Client Benefit Fund balance through June 30, 2019, and our most recent monthly statement, are included as **pages 35 & 36**.

Audit Update – We have scheduled our next DDS audit which is scheduled to begin on October 15, 2019. The audit period will cover Fiscal Years 2017-18 and 2018-19

Staffing – As of September 1st, 2019, we had a staff vacancy factor of 4.9% as compared to 4.5% a year ago. There are currently 6 staff vacancies which we are pursuing the backfilling of.

END