

TO: Tulare Local Health Care District, Board of Directors
Phil Smith, CEO

FROM: Teresa Jacques, Interim Controller
Stephanie Trueblood, Assistant Controller

DATE: August 15, 2022

RE: FY 2023 Proposed Budget

OVERVIEW

The attached documents are the proposed individual budgets for the District and Evolutions and a combined cash flow statement for FY23 for your consideration.

COMBINED CASH FLOW:

The cash flow allows the District's general checking bank balances to remain at \$200,000 and that additional funds monthly will be deposited or withdrawn from the District's LAIF account. The estimated LAIF transfers and withdrawals are found on page 1 line 108 of your budget packet.

The combined cash flow allows for the following:

Cash Flow Summary	
Budgeted Revenues	\$7,666,778
Budgeted Expenses	(\$3,725,508)
Debt repayment (includes interest for revenue bond)	(\$2,671,942)
Capital expenditures	(\$1,004,242)
Bankruptcy plan payments	(\$1,000,000)
Draw from LAIF	(\$734,913)

It is estimated that the District will have a negative cash flow of approximately \$750,000 for FY2023 stemming from the \$1,000,000 in bankruptcy repayment. There is \$5,000,000 set aside for the bankruptcy plan payments.

PROFIT AND LOSS BUDGET – DISTRICT OFFICE

Overall, there is a 35% decrease projected in net position over FY22. The difference was the receipt of the \$6,020,000 in COVID 19 relief funds in FY22.

Revenue

Revenues overall are budgeted to increase 3%. Last year's revenues included approximately \$172,000 in prior year's disproportionate share (DSH) monies.

- AH Lease – Increased by the estimated CPI adjustment of 6% starting in October of 2022.
- Property Tax – Increased 6%.

Expenses

Expenses decreased \$79,047 over FY22, the majority was attributed to a decrease in insurance premiums.

- Salaries – Increased 8%. New staff member for entire year and overall 3% increase in staff salaries.
- Benefits – Increased 33%. Addition of new staff member for entire year, other staff 401K funding and unemployment costs.
- Legal – Increased 10%. Allowed for extra fees for early bankruptcy pay-out costs.
- Repairs & Maintenance – **Decreased 38%**. There were extraordinary one-time repair costs in FY22.
- Building & Equipment Rental – **Decreased 35%**. In FY22 the District paid the Evolutions equipment payment.
- Insurance – **Decreased 21%**. Buildings were re-appraised and values lowered.
- Interest – Increased 38%. Budgeted additional borrowings for the PT, OT space against the AH line of credit.
- Other – **Decreased 42%**. In FY22 there were one-time advertising costs for staff.

Non-Operating Income and Expense

There were one time receipts in FY22 for COVID 19 funds and surplus monies not budgeted in FY23.

- Depreciation – **Decreased 32%**. Due primarily to the change in allocation of building depreciation from the District's separate profit and loss statement to the Evolutions profit and loss statement.

PROFIT AND LOSS BUDGET – EVOLUTIONS

The budget was developed by considering both historical LLC costs and the District business model. Below are the major changes over the historical costs.

Overall, the EBIDTA is budgeted at \$165,099 and the change in net position is a negative \$194,060, due to the depreciation expense.

Revenue

- Membership revenue was increased over fourth quarter FY22 volumes by 2% starting in July 2022 and another 3% in January 2023.
- Other revenues were budgeted at current volumes.

Expenses

- Salaries – Approximate 3% increase in salaries effective January 2023; addition of new staff for membership sales starting in October 2022.
- Benefits – Increase for new staff member and increase in workers comp rates.
- Other
 - Marketing – Increase \$15,000 for public awareness campaign over FY22’s expenses.
 - Uniforms – Increase \$2,400 over FY22’s expenses.
 - Staff Development – Increase \$7,000 over FY22’s expenses for Exercise Instructor recertification.
- Insurance – The District is reporting higher monthly premiums until general liability coverage for EVO Management LLC terminates on November 30th.
- All other categories had additional costs added to the expense of FY22 based primarily on inflation.