

STAFF REPORT

DATE: September 23, 2022

FROM: Philip Smith

SUBJECT: Summary Budget Analysis FYE 2023

District:

Income – Anticipated decline in patient revenue due to slowing of past Accounts Receivable due. Slight decline in rental incomes due to vacancy, but overall increase in total income due to anticipated contract increase in AH rents and projected property tax increase.

Expense – Increase in staffing expense based on planned recruitment and hiring of Project Manager position during the last year. Other staff expenses reflect potential moderate increases. Additional expenses primarily attributable to planned continuing capital improvement during the fiscal period.

Evolutions:

Income – Membership dues anticipated to increase moderately over the fiscal year due to expectation of increased membership.

Expense – Employee expense will be increasing due to required minimum wage increase beginning in January 2023. Marketing expense will include the addition of a contracted individual experienced in these efforts. Staff development costs include additional expense associated with certification following the requirement to re-classify former contracted group instructors as employees.

Net:

As projected capital improvement costs, if approved by board, will reduce liquid balances by slightly over \$500,000. Bankruptcy payouts are anticipated at an additional \$1,000,000, but reserves are already on hand to address those payouts as necessary.

Change in Net Position is projected to be slightly negative for Evolutions based on depreciation expense (non-cash expense). Overall District Net Position is anticipated to trend positive, although cash will decline due to capital expense. Receipt of grant funds during prior fiscal period has been treated as a non-recurring event and matter of utilization of funds remains outstanding at this time.

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

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

DATE: August 24, 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District's general checking bank balances to remain at \$200,000 and that additional funds monthly will be deposited or withdrawn from the District's LAIF account.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	\$7,628,972
Budgeted Expenses	(\$3,816,497)
Debt repayment (includes interest for revenue bond)	(\$2,670,799)
Capital expenditures	(\$1,664,242)
Bankruptcy plan payments	(\$1,000,000)
Draw from LAIF	(\$1,522,567)

It is estimated that the District will have a negative cash flow of approximately \$1,500,000 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 36% 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 2%. 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 \$73,689 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 32%. 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 \$79,468 and the change in net position is a negative \$279,692, 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.

	A	B	C	D	E	F	G	H
1	TULARE LOCAL HEALTH CARE DISTRICT							
2	BUDGET COMPARISON - TWO YEAR							
3	FISCAL 2021, ANNUALIZED FISCAL 2022, & PROPOSED FISCAL 2023 BUDGET							
4		Final	Unaudited	Proposed	Diff	Diff	Percent	Percent
5		FY 21	FY 22	FY23			FY 21 to FY23	FY 22 to FY23
6	REVENUES							
7	Net Patient Revenue	752,613	105,679	60,000	(692,613)	(45,679)	-92%	-43%
8	Other Operating Revenue	2,989,959	3,095,394	3,061,130	71,171	(34,264)	2%	-1%
9	Property Tax Revenue	2,230,923	2,286,696	2,391,096	160,173	104,400	7%	5%
10	LAIF Interest Income	7,609	37,390	124,389	116,780	86,999	1535%	233%
11	TOTAL REVENUES	5,981,104	5,525,159	5,636,614	-344,490	111,456	-6%	2%
12								
13	OPERATING EXPENSES							
14	Salaries & Wages	323,558	411,520	442,396	118,838	30,876	37%	8%
15	Employee Benefits	63,152	76,679	101,328	38,176	24,650	60%	32%
16	Professional Fees	166,878	198,965	172,740	5,862	(26,225)	4%	-13%
17	Legal Fees	498,102	334,454	366,300	(131,802)	31,846	-26%	10%
18	Purchased Services	251,845	272,105	249,276	(2,569)	(22,829)	-1%	-8%
19	Supplies	6,245	10,262	11,782	5,537	1,520	89%	15%
20	Repairs & Maintenance	17,109	48,719	30,000	12,891	(18,719)	75%	-38%
21	Utilities & Phone	94,884	32,346	37,850	(57,034)	5,504	-60%	17%
22	Building & Equipment Rental	99,529	114,167	74,640	(24,889)	(39,527)	-25%	-35%
23	Insurance	355,587	368,411	292,583	(63,004)	(75,827)	-18%	-21%
24	Interest Expense	84,120	68,959	101,253	17,133	32,294	20%	47%
25	Other Operating Expenses	65,882	40,710	23,460	(42,422)	(17,250)	-64%	-42%
26	Net Expenses w/o Depreciation	2,026,891	1,977,297	1,903,608	-123,283	(73,689)	-6%	-4%
27	EBITDA	3,954,213	3,547,862	3,733,006	-221,207	185,144	-6%	5%
28								
29	NON OPERATING REVENUES AND EXPENSES							
30	Depreciation	(1,721,501)	(1,508,928)	(1,023,922)	697,578	485,005	-41%	-32%
31	GO Bond Revenue	4,818,643	3,891,200	4,088,400	(730,243)	197,200	-15%	5%
32	GO Bond Accretion	662,741	662,741	662,736	(5)	(5)	0%	0%
33	Bond Interest Expense	(3,585,458)	(3,511,271)	(2,652,384)	933,074	858,887	-26%	-24%
34	COVID 19 Relief Funds		6,019,980	0	0	(6,019,980)		-100%
35	Gain on Sale of Property	4,447,391	584	0	(4,447,391)	(584)	-100%	-100%
36	TOTAL NON OPERATING	4,621,817	5,554,307	2,098,752	(2,523,064)	(3,455,554)	-55%	-62%
37	INCREASE/(DECREASE) IN NET POSITION	8,576,030	9,102,169	5,831,759	-2,744,271	-3,270,410	-32%	-36%

TULARE LOCAL HEALTH CARE DISTRICT
DRAFT BUDGET FOR FY 2023
8/24/2022

	A	B	C	D	E	F	G	H	I	J	K	L	M	N
		Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	TOTALS
1														
2														
3														
4	DESCRIPTION	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	TOTALS
5	OPERATING REVENUE													
6	Net Patient Revenue	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	60,000
7	Other Operating Revenue	245,623	245,664	245,664	257,958	258,216	258,215	258,215	258,215	258,340	258,340	258,340	258,340	3,061,130
8	Property Tax Revenue	199,258	199,258	199,258	199,258	199,258	199,258	199,258	199,258	199,258	199,258	199,258	199,258	2,391,096
9	LAIF Interest Income	9,638	9,645	9,453	11,087	11,022	10,821	10,660	10,496	10,312	10,119	10,531	10,531	124,389
10														
11	TOTAL OPERATING REVENUE	459,519	459,566	459,375	473,303	473,496	473,294	473,133	472,969	472,910	472,717	473,204	473,129	5,636,614
12	OPERATING EXPENSES													
13	Salaries & Wages	35,595	38,985	37,290	35,595	37,290	37,290	37,290	33,900	38,985	33,900	38,985	37,290	442,396
14	Employee Benefits	7,752	8,121	7,937	7,752	7,937	8,256	9,430	8,558	8,863	8,610	9,265	9,047	101,328
15	Professional Fees	16,845	16,965	16,965	16,965	13,125	13,125	13,125	13,125	13,125	13,125	13,125	172,740	172,740
16	Legal Fees	30,525	30,525	30,525	30,525	30,525	30,525	30,525	30,525	30,525	30,525	30,525	30,525	366,300
17	Purchased Services	20,300	29,378	18,974	18,974	18,974	27,409	18,974	18,974	19,994	18,974	18,974	19,382	249,276
18	Supplies	982	982	982	982	982	982	982	982	982	982	982	982	11,782
19	Repairs & Maintenance	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	30,000
20	Utilities	2,250	2,500	3,100	3,100	3,100	3,600	3,600	3,600	3,600	3,150	3,150	3,100	37,850
21	Building & Equipment Rental	6,220	6,220	6,220	6,220	6,220	6,220	6,220	6,220	6,220	6,220	6,220	6,220	74,640
22	Insurance	25,068	25,068	25,068	26,394	26,046	23,678	23,678	23,678	23,678	23,678	23,678	23,276	292,583
23	Interest Expense	6,578	6,779	6,666	7,300	7,148	7,783	8,326	8,276	9,556	10,084	11,179	11,577	101,253
24	Other Operating Expenses	1,605	1,605	4,105	1,605	1,605	1,605	1,605	3,305	1,605	1,605	1,605	1,605	23,460
25														
26	TOTAL OPERATING EXPENSES BEFORE D&A	156,219	169,628	160,331	157,912	155,501	162,972	156,255	153,443	159,633	153,353	159,735	158,628	1,903,608
27														
28	EBIDTA	303,300	289,939	299,044	315,392	317,995	310,322	316,878	319,526	313,277	319,365	313,469	314,501	3,733,006
29	NON OPERATING REVENUES AND EXPENSES													
30	Depreciation & Amortization	-94,578	-94,578	-95,412	-95,996	-95,999	-97,663	-96,405	-70,276	-70,330	-70,886	-70,886	-70,915	-1,023,922
31	GO Bond Revenue	340,700	340,700	340,700	340,700	340,700	340,700	340,700	340,700	340,700	340,700	340,700	340,700	4,088,400
32	GO Bond Accretion	55,228	55,228	55,228	55,228	55,228	55,228	55,228	55,228	55,228	55,228	55,228	55,228	662,736
33	GO Bond Interest Expense	-221,032	-221,032	-221,032	-221,032	-221,032	-221,032	-221,032	-221,032	-221,032	-221,032	-221,032	-221,032	-2,652,384
34	REV Bond Interest Expense	-65,780	-65,780	-65,780	-65,780	-65,780	-65,780	-65,780	-65,780	-65,780	-65,780	-65,780	-65,780	-789,360
35	Gain on Sale of Property													0
36														
37	TOTAL NON OPERATING REVENUE & EXPENSES	14,538	14,538	13,704	13,120	13,117	11,454	12,711	38,840	38,786	38,230	38,230	38,201	285,470
38														
39	INCREASE/(DECREASE) IN NET POSITION	317,838	304,476	312,748	328,512	331,112	321,775	329,589	358,366	352,063	357,595	351,699	352,702	4,018,476

	A	B	C	D	E	F	G	H	I	J	K	L	M	N
	TULARE LOCAL HEALTH CARE DISTRICT - EVOLUTIONS													
	DRAFT Budget for FY 2023													
	8/24/2022													
	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Totals	
1	OPERATING REVENUE													
2	Enrollments/Dues	153,251	153,251	153,251	153,251	153,251	153,251	158,059	158,059	158,059	158,059	158,059	158,059	158,059
3	Other Operating Revenue	11,150	11,150	9,850	9,850	10,650	10,650	10,650	9,850	9,850	9,850	9,850	9,850	11,150
4	Property Tax Revenue													124,500
5	TOTAL OPERATING REVENUE	164,401	164,401	163,101	163,101	163,901	163,901	168,709	167,909	167,909	167,909	167,909	167,909	1,992,357
6	OPERATING EXPENSES													
7	Salaries & Wages	73,263	80,240	76,752	76,459	80,100	80,100	82,029	74,572	85,758	74,572	85,758	82,029	951,632
8	Employee Benefits	15,124	14,404	14,067	13,613	14,063	14,063	17,605	16,796	18,630	15,783	15,459	15,135	184,744
9	Professional Fees													0
10	Legal Fees													0
11	Purchased Services	21,243	21,243	21,943	21,243	21,243	21,243	22,094	21,304	22,004	21,304	21,304	21,304	257,470
12	Supplies	7,800	7,800	7,800	7,800	7,800	7,800	7,800	7,800	7,800	7,800	7,800	7,800	93,600
13	Repairs & Maintenance	4,900	4,900	4,900	4,900	4,900	4,900	4,900	4,900	4,900	4,900	4,900	4,900	58,800
14	Utilities & Phone	29,200	32,200	27,200	26,200	20,900	19,900	20,400	19,400	19,400	18,400	17,900	23,900	275,000
15	Building & Equipment Rental	81	81	81	81	81	81	81	81	81	81	81	81	974
16	Insurance	3,762	3,762	3,762	3,894	3,894	3,894	3,894	3,894	3,894	3,894	3,894	3,894	46,332
17	Interest Expense	215	208	201	194	187	180	173	166	158	151	144	137	2,112
18	Other Operating Expenses	2,550	2,550	4,375	2,800	3,800	4,750	2,550	2,550	6,450	2,550	2,550	4,750	42,225
19	TOTAL OPERATING EXPENSES BEFORE D&A	158,138	167,387	161,080	157,183	156,968	156,911	161,526	151,463	169,076	149,436	159,790	163,931	1,912,889
20	EBIDTA	6,263	-2,986	2,021	5,918	6,933	6,990	7,182	16,445	-1,167	18,472	8,118	5,278	79,468
21	NON OPERATING REVENUES AND EXPENSES													
22	Depreciation & Amortization	-30,111	-30,111	-29,351	-29,351	-29,351	-29,351	-29,774	-29,969	-29,969	-30,608	30,608	-30,608	-359,160
23	TOTAL NON OPERATING REVENUE & EXPENSES	-30,111	-30,111	-29,351	-29,351	-29,351	-29,351	-29,774	-29,969	-29,969	-30,608	30,608	-30,608	-359,160
24	INCREASE/(DECREASE) IN NET POSITION	-23,848	-33,098	-27,330	-23,433	-22,417	-22,360	-22,592	-13,523	-31,136	-12,135	-22,489	-25,330	-279,692

	A	B	C	D	E	F	G	H	I	J	K	L	M	N
	TULARE LOCAL HEALTH CARE DISTRICT (COMBINED WITH EVOLUTIONS)													
	DRAFT Budgeted Cash Flow for FY 2023													
	8/24/2022													
81 DESCRIPTION	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Totals	
82 Estimated Cash	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	2,400,000
83 OPERATING REVENUE														
84 Total Revenue	623,920	623,967	622,476	636,404	637,397	637,195	641,842	640,877	640,818	640,626	641,112	642,337	7,628,972	
85 Less Property Tax Revenue Accrual	-199,258	-199,258	-199,258	-199,258	-199,258	-199,258	-199,258	-199,258	-199,258	-199,258	-199,258	-199,258	-2,391,096	
86 Less LAIF Interest Accrual	-9,638	-9,645	-9,453	-11,087	-11,022	-10,821	-10,660	-10,496	-10,312	-10,119	-10,606	-10,531	-124,389	
87														
88 TOTAL OPERATING REVENUE	415,024	415,065	413,765	426,059	427,117	427,116	431,924	431,124	431,248	431,249	431,249	432,549	5,113,487	
89														
90 OPERATING EXPENSES														
91 Total Operating Expenses	314,356	337,015	321,411	315,095	312,469	319,883	317,781	304,906	328,708	302,789	319,525	322,559	3,816,497	
92 NET OPERATING EXPENSES	314,356	337,015	321,411	315,095	312,469	319,883	317,781	304,906	328,708	302,789	319,525	322,559	3,816,497	
93														
94 NET OPERATING CASH	100,668	78,049	92,354	110,964	114,648	107,233	114,143	126,218	102,540	128,460	111,723	109,990	1,296,989	
95														
96 FINANCING ACTIVITIES														
97 Capital funded by District	-95,664	-121,082	-136,082	-78,599	-92,700	-44,450	-87,800	-85,200	-87,472	-142,783	-150,267	-142,142	-1,264,242	
98 Capital projects for EVO	0	0	0	0	0	0	-250,000	-35,000	0	-115,000	0	0	-400,000	
99 Property Tax Revenue net of Rev Bond Pymt	113,901	0	0	0	0	0	0	0	0	695,543	185,603	0	995,048	
100 Bankruptcy pay out	-15,000	-80,000	-100,000	-100,000	-100,000	-100,000	-100,000	-100,000	-100,000	-100,000	-105,000	0	-1,000,000	
101 Phoenix	-7,939	-7,939	-7,939	-7,939	-7,939	-7,939	-7,939	0	0	0	0	0	-55,573	
102 Adventist LOC	-102,453	-102,453	-102,453	-11,970	-108,601	-108,601	-108,601	-108,601	-108,601	-108,601	-108,601	-108,601	-1,188,138	
103 Loan principal - EVO	-2,785	-2,792	-2,799	-2,806	-2,813	-2,820	-2,827	-2,834	-2,842	-2,849	-2,856	-2,863	-33,888	
104														
105 TOTAL FINANCING ACTIVITIES	-109,941	-314,267	-349,274	-201,314	-312,053	-263,810	-557,167	-331,635	-298,915	226,310	-181,120	-253,606	-2,946,793	
106														
107 Estimated Cash	190,726	-36,218	-56,920	109,650	2,595	43,423	-243,025	-5,418	3,625	554,770	130,603	56,384	750,196	
108 TRANSFERS TO LAIF	-9,274	-236,218	-256,920	-90,350	-197,405	-156,577	-443,025	-205,418	-196,375	354,770	-69,397	-143,616	-1,649,804	
109														
110 LAIF Account	11,565,113	11,577,104	11,340,887	11,083,967	11,022,428	10,825,023	10,668,446	10,258,506	10,053,088	9,856,714	10,243,475	10,174,078	10,174,078	
111 Transfers	-9,274	-236,218	-256,920	-90,350	-197,405	-156,577	-443,025	-205,418	-196,375	354,770	-69,397	-143,616	-1,649,804	
112 LAIF Interest	21,265	0	0	28,812	0	0	33,085	0	0	31,991	0	0	115,153	
113 Estimated LAIF balance	11,577,104	11,340,887	11,083,967	11,022,428	10,825,023	10,668,446	10,258,506	10,053,088	9,856,714	10,243,475	10,174,078	10,030,462		