

# Finance Report

January 2022

1. I have identified two irregularities that need to be fixed
  - a. There is no identifiable restricted Measure C account as required by the ballot language.
  - b. There is also no identifiable Restricted Capital Account as required by the Lease Agreement.
  - c. A listing of accounts at Tri County bank makes this clear.
  - d. I set in motion an effort to create these accounts but am unable to complete it in the absence of the full cooperation of relevant Board members.

**CHECKING**

Data reported as of Jan 27, 2022 11:

Account Number	Current Balance	Available Balance
<b>Number of Accounts: 8</b>	<b>\$15,989,607.40</b>	<b>\$15,963,437.72</b>
*7207 Improvements Fund	\$2,060,000.00	\$2,060,000.00
*7219 Deposit Account	\$10,837,964.53	\$10,839,885.05
*7232 Hospital Payroll	\$0.00	\$0.00
*7244 Hospital AP	\$153,970.95	\$125,880.75
*7256 Home Health Payroll	\$0.00	\$0.00
*7888 Home Health AP	\$0.00	\$0.00
*3827 HELP II	\$0.00	\$0.00
*5861 TAX REVENUE ACCOUNT	\$2,937,671.92	\$2,937,671.92

2. At its own request, AH is sharing the District's Deposit Account since July 1, 2020. Payments to AH from CMS and insurance companies are deposited here and comingled with previous District funds. The amounts due to AH are determined by the Comptroller and a transfer is approved by the Treasurer or Board Chair. This practice should now cease. The District could surrender the account to AH but only after it has been audited to see how much of the District's money is in it. My estimation is at least \$5.7M which is the amount of CARES funding the District has received.
3. I have been working with the Measure C committee to back-cast how much Measure C money has been expended and determine the current balance.
4. The District was not able to comply with bond covenants because AH would not release our financial data despite repeated requests. AH appears at last to be working on finding a solution but it is too late.
  - a. FY21 audit was not been completed as required on Sept. 1, 2021 (60 days after the close of the FY). This is the second year in a row this happened and for the same reason, failure of AH to disclose our financial data as required by the Lease Agreement.
  - b. Disclosure requirements for the HELP II and Revenue bonds were not met.
  - c. Consequences of these failures to comply are unknown but potentially serious.

# Finance Report

## 5. Recent major expenditures and receipts

- a. At the end of December, I deposited \$1,030,000 into the Improvements Fund as required by the Lease Agreement. The current balance of that fund is \$2,060,000.
- b. *Pending*: AH owes the District \$875,000 per the Lease Agreement
  - i. ***Paid on January 25, 2022 plus interest***
- c. *Pending*: The County of Mendocino has not disbursed the District’s share of property taxes and the Measure C parcel tax revenues. My estimate is that the Measure C receipts will be \$873,000 and the property tax receipts will be \$591,000.
- d. *Pending*: Repayment of \$1,300,000 of CARES funds
- e. *Pending*: Cost Report adjustment ~\$1,100,000
- f. *Pending*: Inter Governmental Transfer payment ~\$500,000

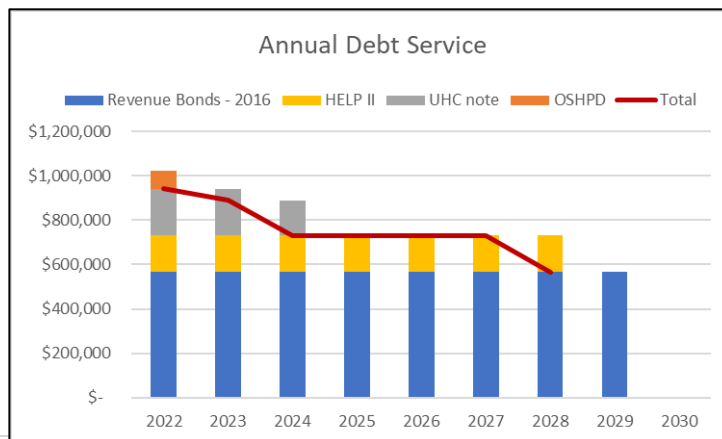
## 6. Information on the District’s long-term debt

As of Jan. 1 2022				
Name of Loan	HELP II	OSHPD	UHC note	Revenue Bonds - 2016
Lender	CA Financing Authority	Cal Mortgage	United Health Care	Bond holders
Date of loan	9/1/2017	3/31/2015	4/25/2014	2/1/2017
Loan Amount	\$ 1,500,000	\$ 1,005,805	\$ 2,100,000	\$ 5,745,000
Interest rate	2.00%	5.00%	3.25%	3%, then 5% in 2025
Term in years	10	7	10	
Monthly Payment	\$ 13,802	\$ 27,672		
Annual Payment			\$ 210,000	\$ 565,000
Outstanding Balance 6/30/2021	\$ 1,091,667	\$ 154,345	\$ 630,000	\$ 3,705,000
Outstanding Balance 12/31/2021	\$ 1,019,471	\$ 51,451	\$ 630,000	\$ 3,705,000
Date of last payment	12/1/2028	3/1/2022	4/25/2024	6/30/2029

## 7. Repayment Schedule

*Note: All long-term debt will be extinguished by 2030*

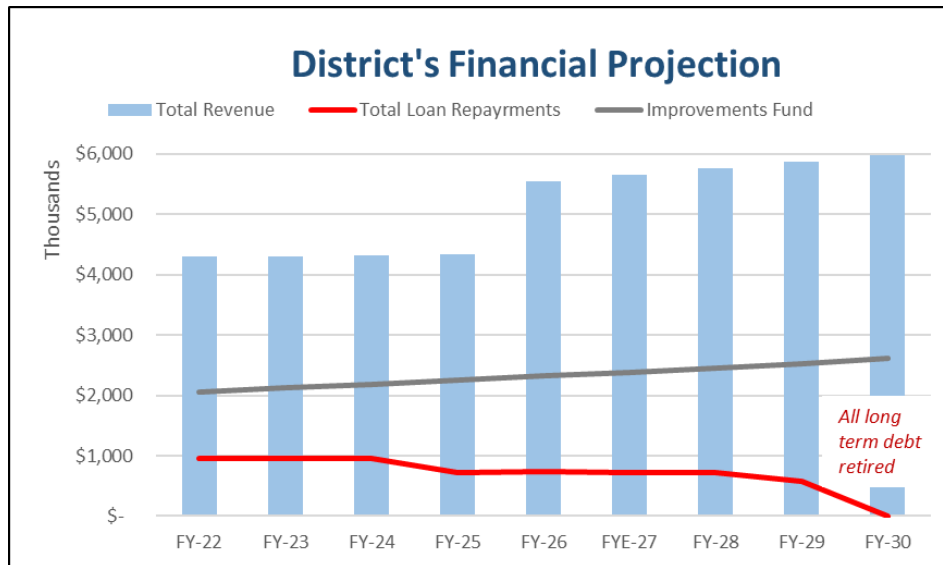
	Monthly	Annual	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>OSHPD</b>	\$ 27,672	\$ 83,016	\$ 83,016								
<b>UHC note</b>		\$ 210,000	\$ 210,000	\$210,000	\$157,500						
<b>HELP II</b>	\$ 13,802	\$ 165,624	\$ 165,624	\$165,624	\$165,624	\$165,624	\$165,624	\$165,624	\$165,624		
<b>Revenue Bonds - 2016</b>		\$ 565,000	\$ 565,000	\$565,000	\$565,000	\$565,000	\$565,000	\$565,000	\$565,000	\$565,000	
			\$1,023,640	\$940,624	\$888,124	\$730,624	\$730,624	\$730,624	\$730,624	\$565,000	



# Finance Report

## 8. Long term receipts

The District has three revenue sources all of which are very predictable. These sources are the Measure C parcel tax (through 2030), a property tax approved by the voters when the District was formed (in perpetuity), and the Lease Payment from AH. This leads to the following financial projection.



## 9. Current Accounts Projection for the 2H FY22.

Current Assets		2H FY22	Current Liabilities	
<b>Unrestricted Cash Assets</b>			<b>Accounts Payable</b>	
LAIF		\$ 3,473,565	AH payable for ongoing maintenance	\$ 2,060,000
Tri-County (estimated)		\$ 6,610,896	Refund CARES funding	\$ 1,300,000
SBMC (estimated)		\$ 353,168	Fund Measure C restricted account	\$ 216,342
Bank of America (estimated)		\$ 174,274	Fund Restricted Capital account	\$ 1,533,087
<b>TOTAL</b>		<b>\$ 10,611,903</b>		
<b>Accounts Receivable</b>			<b>Current liabilities</b>	
CMS cost report adjustment		\$ 1,100,000	Help II	\$ 82,812
Inter Governmental Transfer (estimate)		\$ 500,000	Cal Mortgage	\$ 51,451
Lease Payment		\$ -	UHC note	\$ 105,000
GO property tax receipts		\$ 412,500	Revenue Bonds - 2016	\$ 282,500
Measure C receipts		\$ 800,000		
<b>TOTAL</b>		<b>\$ 2,812,500</b>	<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 5,631,192</b>
<b>TOTAL CURRENT ASSETS</b>		<b>\$ 13,424,403</b>	<b>NET CURRENT CASH POSITION</b>	<b>\$ 11,615,298</b>
<b>Restricted Funds</b>				
Measure C (estimated)		\$ 230,000		
Improvements Fund		\$ 2,060,000		
Restricted Capital Fund (estimated)		\$ 1,533,087		
<b>TOTAL</b>		<b>\$ 3,823,087</b>		

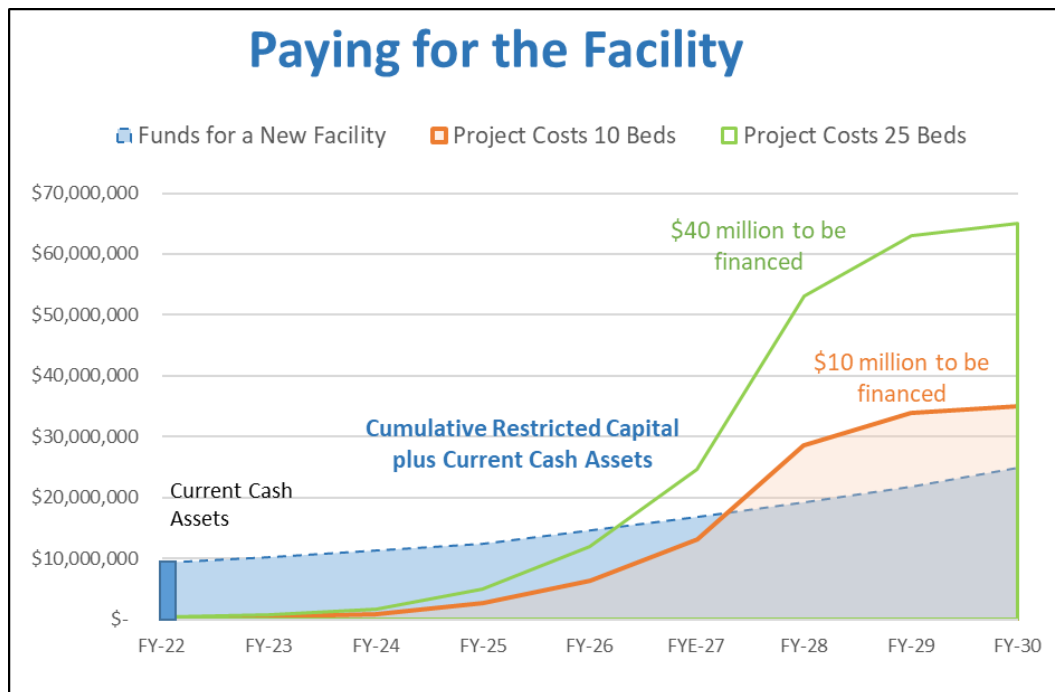
**Notes:** I calculate that the Measure C balance is \$230,000 but I need to get the agreement of the Oversight Committee. I calculate that the balance of the Restricted Capital Account is \$1,533,087. As soon as these accounts are created, I would fund them with money from the Deposit Account at Tri-County bank.

# Finance Report

## 10. Paying for a new facility

- a. A portion of the costs can be financed
- b. By the end of the decade, the District will have predictable revenues and no debt so a very good credit rating is likely.
- c. Repayment of a \$10.0M loan for construction of a 10-room hospital with a 10-year term at 3% would be \$1.1M a year compared to \$1.0M in property tax and a potential \$2.0M Lease Payment.
- d. Loan amounts and annual repayments for an Outpatient Pavilion and a 25-bed hospital are given in the table below. Please note we do not have an estimate for the cost of an Outpatient Pavilion so a conservative guess is made here.
- e. Extension of Measure C or replacement may be needed but otherwise no new taxes would be required.
- f. Community fundraising would provide valuable assistance
- g. Re-purposing of the existing hospital (e.g., to a Skilled Nursing Facility or medical residential community) should be part of the long-term plan. Cost estimates and a plan for a funding mechanism should be prepared.

Option	10 beds	Outpatient	25 beds
Cost	\$ 35,000,000	\$ 45,000,000	\$ 65,000,000
Loan amount	\$ 10,000,000	\$ 20,000,000	\$ 40,000,000
Annual payment	\$ (1,172,305)	\$ (2,344,610)	\$ (4,689,220)
Property Tax	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Lease Payment	\$ 2,000,000	\$ 2,000,000	\$ 3,000,000
Measure C	\$ -	\$ -	\$ 1,600,000
Net	\$ 1,827,695	\$ 655,390	\$ 910,780



# Finance Report



## 11. District Budget for FY22 – as adopted in June of 2021

Please see the table below. Note that this is not the same as the Board budget which is developed and tracked separately.

This budget does not need updating because actuals are tracking budget closely.

Jan. 17, 2022 Cash Flow by Month	CY 2021						CY 2022					
	FY2022											
	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
<b>Receipts</b>												
AH Lease Payment	\$ 875,000						\$ 875,000					
Measure C		\$ 111,678			\$ 873,091					\$ 603,127		
District Tax Receipts		\$ 70,361			\$ 590,813					\$ 295,406		
Tax Subsidies for GO Bonds												
LAIF Dividends	\$ 2,823	\$ 2,823	\$ 2,823	\$ 2,823	\$ 2,823	\$ 2,823	\$ 2,823	\$ 2,823	\$ 2,823	\$ 2,823	\$ 2,823	\$ 2,823
<b>TOTAL PER MONTH</b>	\$ 877,823	\$ 184,862	\$ 2,823	\$ 2,823	\$ 1,466,727	\$ 2,823	\$ 877,823	\$ 2,823	\$ 2,823	\$ 901,357	\$ 2,823	\$ 2,823
<b>Outlays</b>												
Improvements Fund	\$ 1,030,000						\$ 1,030,000					
Revenue Bonds- Refinanced 2016	\$ 47,125	\$ 47,125	\$ 47,125	\$ 47,125	\$ 47,125	\$ 47,125	\$ 47,125	\$ 47,125	\$ 47,125	\$ 47,125	\$ 47,125	\$ 47,125
Cal Mortgage Line of Credit	\$ 17,149	\$ 17,149	\$ 17,149	\$ 17,149	\$ 17,149	\$ 17,149	\$ 17,149	\$ 17,149	\$ 17,149	<b>paid in full</b>	\$ -	\$ -
HELP II Loan	\$ 13,802	\$ 13,802	\$ 13,802	\$ 13,802	\$ 13,802	\$ 13,802	\$ 13,802	\$ 13,802	\$ 13,802	\$ 13,802	\$ 13,802	\$ 13,802
UHC of California	\$ 19,206	\$ 19,206	\$ 19,206	\$ 19,206	\$ 19,206	\$ 19,206	\$ 19,206	\$ 19,206	\$ 19,206	\$ 19,206	\$ 19,206	\$ 19,206
Board Budget Allocation	\$ 20,833	\$ 20,833	\$ 20,833	\$ 20,833	\$ 20,833	\$ 20,833	\$ 20,833	\$ 20,833	\$ 20,833	\$ 20,833	\$ 20,833	\$ 20,833
<b>TOTAL PER MONTH</b>	\$ 1,148,116	\$ 118,116	\$ 118,116	\$ 118,116	\$ 118,116	\$ 118,116	\$ 1,148,116	\$ 118,116	\$ 118,116	\$ 100,967	\$ 100,967	\$ 100,967
<b>NET CASH FLOW</b>	\$ (270,293)	\$ 66,746	\$ (115,293)	\$ (115,293)	\$ 1,348,611	\$ (115,293)	\$ (270,293)	\$ (115,293)	\$ (115,293)	\$ 800,390	\$ (98,143)	\$ (98,143) <sup>1</sup>
Cumulative Restricted Capital Fund	\$ 360,383	\$ 427,129	\$ 311,837	\$ 196,544	\$ 1,545,155	\$ 1,429,862	\$ 1,159,569	\$ 1,044,276	\$ 928,984	\$ 1,729,374	\$ 1,631,230	\$ 1,533,087

# Finance Report

## 12. Actual vs Budget for July 1 to Jan. 17 (Board Budget)

- To date actual costs are well under budget and it is likely to remain that way until the end of the fiscal year (June 30).
- Primary reason is legal and staff costs are much smaller.
- Unbudgeted items are \$20,500 but less than the contingency of \$26,000.
- The significant cost of the CARES audit preparation is non-recurring (\$23,500).
- The District will no longer need to submit a Cost Report to CMS (\$15,000)

	Budgeted	Actual	
	FY2022	FY2022	
Cash Flow by Month	July	July	
<b>Receipts</b>			
Allocation from District's Net Cash Flow	\$ 250,000	\$ 250,000	\$ -
Dividend from LAIF investments	\$ 5,445	\$ 5,000	\$ (445)
Total Receipts	\$ 255,445	\$ 255,000	\$ (445)
<b>Expenses</b>			
Open Management Position(s)	\$ 80,000	\$ 7,421	\$ (72,579)
Contributions to HSA	\$ 25,200	\$ 14,918	\$ (10,282)
Financial Services K. McKee & Co.	\$ 3,500	\$ 1,326	\$ (2,174)
Legal Services	\$ 63,000	\$ 38,598	\$ (24,402)
DZA audits	\$ 27,000	\$ 9,600	\$ (17,400)
Beta Insurance	\$ 22,871	\$ 27,966	\$ 5,095
County Tax Administrative Services	\$ 16,680	\$ 16,680	\$ -
Utilities	\$ 7,000	\$ -	\$ (7,000)
Property Insurance for 775 River Drive	\$ 2,000	\$ -	\$ (2,000)
Office Expenses	\$ 350		\$ (350)
Phone and Internet	\$ 700		\$ (700)
Hospital Anniversary activities	\$ 5,000	\$ 4,677	\$ (323)
Refurbishment of Neva Canon Room	\$ 15,000	\$ 95	\$ (14,905)
Potential New Programs	\$ 20,000	\$ -	\$ (20,000)
CARES Audit	\$ 23,500	\$ 23,500	\$ -
Other (including memberships)	\$ -	\$ -	\$ -
Sum of Expenses	\$ 311,801	\$ 144,781	\$ (167,020)
Contingency	\$ 26,014	\$ -	\$ (26,014)
<i>WorkTerra</i>	\$ -	\$ 2,500	\$ 2,500
<i>Cost Report</i>	\$ -	\$ 14,918	\$ 14,918
<i>BYN Mellon</i>	\$ -	\$ 3,075	\$ 3,075
Net Operating Balance	\$ (82,370)	\$ 110,219	\$ 192,589
Cash Flow	\$ (56,356)	\$ 89,726	\$ 146,082

# Finance Report

## 13. Proposed Board Budget for the rest of the year.

Cash Flow by Month	CY 2022						Semi-Annual
	FY2022						
	Jan.	Feb.	Mar.	Apr.	May	June	
<b>Receipts</b>							
Allocation from District's Net Cash Flow	\$ 125,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 125,000
Dividend from LAIF investments	\$ 1,274	\$ 1,274	\$ 1,274	\$ 1,274	\$ 1,274	\$ 1,274	\$ 7,642
<b>Total Receipts</b>	\$ 126,274	\$ 1,274	\$ 1,274	\$ 1,274	\$ 1,274	\$ 1,274	\$ 132,642
<b>Expenses</b>							
Open Management Position(s)		\$ 6,667	\$ 6,667	\$ 6,667	\$ 6,667	\$ 6,667	\$ 33,333
Contributions to HSA	\$ 1,800	\$ 1,800	\$ 1,800	\$ 1,800	\$ 1,800	\$ 1,800	\$ 10,800
Financial Services K. McKee & Co.	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 3,000
Legal Services	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 54,000
DZA audits		\$ 10,000					\$ 10,000
D&O Insurance							\$ -
Healthcare Entity Comprehensive Liability							\$ -
Property Tax Administrative Services							\$ -
Utilities	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 3,000
Property Insurance for 775 River Drive	\$ 2,000						\$ 2,000
Office Expenses	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 300
Phone and Internet	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 600
Hospital Anniversary activities							\$ -
Refurbishment of AJ Gray Building		\$ 20,000					\$ 20,000
Potential New Programs		\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 20,000
CARES Audit							\$ -
Other (including memberships)							\$ -
<b>Sum of Expenses</b>	\$ 13,950	\$ 52,617	\$ 22,617	\$ 22,617	\$ 22,617	\$ 22,617	\$ 157,033
Contingency	\$ 1,395	\$ 5,262	\$ 2,262	\$ 2,262	\$ 2,262	\$ 2,262	\$ 15,703
Net Operating Balance	\$ 110,929	\$ (56,605)	\$ (23,605)	\$ (23,605)	\$ (23,605)	\$ (23,605)	\$ (40,095)
Cumulative Cash Flow*	\$ 75,655	\$ 19,050	\$ (4,554)	\$ (28,159)	\$ (51,764)	\$ (75,368)	\$ (75,368)

\* note: Cash carried over from 1HFY22 is \$35,274

Projected FYE actual compared to June budget \$ 69,711 improvement

## 14. Miscellaneous

- Restoration of the Neva Cannon room was budgeted and approved. The restroom was fixed. The installation of the floor is expected to take start on Friday, Jan. 28<sup>th</sup>.
- I discovered that the District was paying \$2,500 a month for two contracts that were assumed by AH in the Lease Agreement. This will save the District \$30,000 a year and over \$100,000 over the five year length of those contracts.

Submitted on January 19, 2022 by:

John Redding  
Treasurer, Board of Directors  
Mendocino Coast Health Care District

**Updated January 27, 2022.**