

Fiscal Year 2020 Budget Marklund

Executive Summary

Since the presentation of the FY 2020 budget to the Finance Committee on May 23rd 2019, the state of Illinois passed a cost of living adjustment of 3.5% to all providers in our sector. The increase in revenue for Marklund is approximately \$732K. This has allowed management to look at our competition and react in order not to experience any setback in our retention program. There are two areas where we felt Marklund can look in order to remain somewhat competitive. As a result, we changed the original merit increase of 3% to 5% and also propose to increase our matching for the Retirement Savings plan by 1%. It is currently at 4%. All budget worksheets and schedules have been revised to incorporate these changes.

The revised total consolidated revenue for FY 2020 is \$33.8M, an increase of \$5.1M or 18% from FY 2019 year-end projections. The revenue variance reflects mostly the full year impact of the new MCDD rate increase, approximating \$3.4M. Management will earmark \$1M of this increase annually toward payback of the new school construction loan. Consolidated Expenses are budgeted at \$32.3M; this increased by \$2.8M over last year. While revenue diversification has been the goal of management since CTF (Creating The Future) started back in FY 2013, the reclassification of MPC and MWC and the resulting increase in revenue has lessened the reliance of the residential programs on the School and Development. This has allowed us to implement structural changes in every aspect of our programs.

In FY 2019, we embarked on an organization-wide retention program which has led to a marked reduction in our turnover. In order to remain competitive and to attract qualified candidates, we revamped the school calendar to allow our teachers more time off in the summer and during Christmas break. Additionally, our paraprofessionals are now going to be paid year-round regardless of the school calendar. At MHC, each 16-bed home now has a Home Manager, Nurse Case Manager and Lead PSP. We added new Developmental Instructors at our Community Day Service programs both in Elgin and Geneva. The staffing budget also includes a new Social Services Manager and a new Manager of Support Services. The investment in the school will be captured in future cost report submissions to the Illinois State Board of Education.

Our residential program and Community Day Services will serve 174 and 167 clients, respectively. The School enrollment will average 72 students.

As part of our overall measure to remain competitive, this budget incorporates an average merit increase of 5% (from 3% before the COLA) to eligible employees. Our medical insurance premium increased by 5.4% or \$115K which we did not pass on to the employees. Dental and other non-medical coverages switched from Principal to Dearborn National with a rate reduction of \$40K.

Marklund is projecting a GAAP operating loss of \$996K or a net income of \$1.1M after adding back non-cash items of depreciation and bad debt allowances; the Development Department is expected to add a net income of \$1.9M, resulting in a consolidated net revenue of approximately \$3M. The COLA award from the state and the corresponding expense revisions resulted in a net revenue of \$102K.