

**COUNTY OF SAN MATEO
DEPARTMENTAL CORRESPONDENCE**

DATE. April 3, 2001

HEARING DATE. April 10, 2001

TO. Honorable Board of Supervisors

FROM: Tim McMurdo, CEO, San Mateo County General Hospital

SUBJECT: Cash Position for the Division of Hospital and Clinics

im
mt

RECOMMENDATION

Approve a resolution authorizing an increase in the cash advance limit for the Hospital and Community Health Clinics Enterprise Funds from August 1, 2000 through all year-end closing activities for the current Fiscal Year 2000-01

Background

In June 1984, you approved a cash loan advance limit for the Division of Hospital and Clinics not to exceed \$5 million. At that time, the Hospital and Clinics budget was \$32.9 million. Today, the FY 2000-01 budget is \$133.5 million; however, no increase has been made in the cash loan advance limit from 1984 until 2000, when you authorized a temporary increase in the limit to \$19.6 million.

The cash loan advance provision serves as a method of advancing the Division General Fund support while waiting for state and federal payments that come in the form of intergovernmental transfers. These payments are frequently delayed from six to eight months, and delays for programs such as SB 1732 (reimbursement for construction debt service) and the Federally Qualified Health Center (FQHC) Program can be several years.

The credit line needs to be re-evaluated periodically, given the substantial growth in intergovernmental revenues. In 1984, intergovernmental payments for all indigent and Medi-Cal services totaled \$8.7 million, or 26% of the budget, and were paid through two programs. The \$5 million line of credit covered 57% of these revenues, which were generally paid to the County within two to three months after approval of the state budget. Today, intergovernmental revenue has grown to \$54.8 million, or 41% of the budget, and is paid through multiple programs, many requiring more complex claiming activity and with significant delays in payments. A \$5 million credit line covers only 9.1% of current intergovernmental revenue and is too low for cash flow shortages due to the payment schedules associated with these sources. A \$19.6 million credit line covers 35.7% of current intergovernmental revenue.

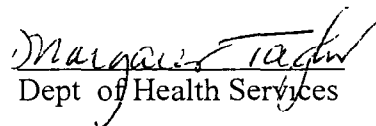
Discussion and Fiscal Impact

In July 2000, you approved a temporary increase in the cash loan advance limit for the Division of Hospital and Clinics. You extended this temporary increase through the end of FY 2000-01 when you adopted the Mid-Year Budget Review report in February 2001

As of this date, the Division has been successful in collecting some outstanding intergovernmental revenue obligations during the current fiscal year, including interim FQHC revenues totaling \$7.7 million through February 2001. However, even with some improvements in FQHC payment activity, the Division's cash balance as of August 1, 2000 was negative \$22.2 million or \$2.6 million over the current temporary cash advance limit of \$19.6 million. The balance has fluctuated above and below the limit throughout the year as revenues have been received, it is currently at negative \$27.2 million. Much of this shortfall is due to the schedule for releasing SB 855 disproportionate share revenues (budgeted at \$14.3 million annually) and tobacco settlement funds (budgeted at \$5.7 million annually). The State has only released one tobacco settlement payment so far this year (totaling \$2.4 million) and has not yet released any SB 855 payments. The first SB 855 payment and an additional tobacco settlement payment are expected during the month of April.

Pending these additional payments, it is necessary to raise the current cash advance limit to \$30 million from August 1, 2000 through all year-end closing activities for FY 2000-01. At that time, a recommendation will be brought forward for a new cash advance limit. Loss of interest to the General Fund for the negative cash balances in the Hospital and Clinics Enterprise Funds is estimated at \$1.2 million for FY 2000-01.

RECOMMENDED


Dept of Health Services

RESOLUTION NO _____

BOARD OF SUPERVISORS COUNTY OF SAN MATEO STATE OF CALIFORNIA

RESOLUTION AUTHORIZING INCREASE IN THE CASH ADVANCE LIMIT FOR THE HOSPITAL AND COMMUNITY HEALTH CLINICS ENTERPRISE FUNDS FROM AUGUST 1 2000 THROUGH ALL YEAR-END CLOSING ACTIVITIES FOR FY 2001 AND WAIVER OF INTEREST CHARGES

RESOLVED by the Board of Supervisors of the County of San Mateo State of California that

WHEREAS the Hospital and Clinics are in need of cash loan advances from the General Fund to the Hospital and Community Health Clinics Enterprise Funds on an as needed basis up to an amount of \$30 000 000 and

WHEREAS this Board approved a temporary increase in cash loan advances to \$19 600 000 from the General Fund to these Enterprise Funds without interest through all year-end closing activities for FY 1999-00 as well as through June 30 2001 and

WHEREAS this Board wishes to increase the cash loan advance from the General Fund to these Enterprise Funds without interest from \$19 600,000 to an amount of \$30 000 000 for the period of August 1 2000 through all year-end closing activities for FY 2000-01

NOW THEREFORE IT IS HEREBY DETERMINED AND ORDERED that the Hospital Enterprise Fund and the Community Health Clinics Enterprise Fund shall have authority to access funds from the General Fund on an as needed basis up to \$30 000 000 combined without a provision of interest from August 1 2000 through all year-end closing activities for FY 2000-01 to ensure continued operation of all facilities and the Clerk of the Board shall transmit a copy of this resolution to the Controller for immediate implementation.