



Petersburg Mental Health Services, Inc.

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March 16, 2015

To: Borough Officials

From: Kathy O'Rear, Finance Officer/Office Manager *K/O*

In October of 2015, Petersburg Mental Health Governing Board of Directors gave direction for PMHS to proceed with the next phase of renovation of the Totem Arms Building. The plan calls for converting the building into a multi-use facility consisting of residential rental units, agency office space, and a crisis respite apartment. The engineer's estimated cost for the total renovation is \$1.343 million. PMHS had planned to address this project in phases, over multiple years, using our set-aside fund balance and grant funds from foundations or trusts, when available. However, the State's financial woes has added urgency to address the Agency's future sustainability and the increasingly serious behavior health needs of our community.

This is a brief narrative on proposed changes to our development and operations plans to be presented to the PMHS Executive Board at their March 24 meeting. Borough officials are receiving this request prior to Board review and approval due to the Borough's desire for immediate, in-depth financial information from community service agencies.

1. **Funding request amendment for FY17:** Our community services are entwined and PMHS works with and strives to support our hospital, law enforcement, schools, and WAVE. Because of this, PMHS is requesting its budget request for FY17 be reduced to \$75,000, with the Borough Assembly giving consideration to providing the \$10,000 balance of the original request to WAVE to help off-set some of their need. The Agency understands the funding needs of the many community services that the Borough supports and we want to be a part of bridging community funding gaps while we re-assess our service capacity and missions.
2. **Brief explanation/History of PMHS funding:**
 - Behavioral Health (BH) grant funds from the State is our "mainstay" funding source. The grant from the State, as well as what the agency can bill through Medicaid, is used for costs of base services provided to the community which are services to the four priority populations as defined by the State. This includes emergency services for individuals who are an imminent risk to self or others, the severely mentally ill (e.g. schizophrenics, severe bipolar illness), severely emotionally disturbed children (those at risk of being removed from the home or community), and individuals with active substance use disorders. To qualify for these funds, a grantee must be annually "accredited" – recognized for commitment to ongoing conformance to international standards and maintaining quality services.
 - The Agency's FY16 Comprehensive Behavioral Health Treatment and Recovery Program budget was \$833,790. We received a CBHTR grant in the amount of \$354,443, more than 50% short of the program budget.
 - To address the shortfall, Medicaid revenue was applied and PMHS was able to re-secure FY16 funds for two State grant programs that totaled \$233,480 to help fill the large gap in needed funding. These grants are for continued pilot type programs and are not expected to be available indefinitely. Prior to the FY16 fiscal year, PMHS was also able to earn revenue by participating in Federal grant funding opportunities through partnership with Alaska Island Community Services to address budget shortfalls. These ended in FY15.
 - The elimination of added grant opportunities, coupled with expected annual cuts to behavioral health funding, and providing the costs for renovating Totem Arms for future Agency use, has forced PMHS to make more severe operating cut backs and/or identify savings. It is evident by the attached 3-year draft budget, which reflects a bare bones minimum for basic operations and the addition of moving forward with a proposed reduced Totem Arms project, that PMHS will need to use a substantial portion of its current fund balance.

3. Actions already taken by PMHS:

- Staff has been cut back from a full-time equivalent of 10 to 12 employees to a current 7 to 8 full-time equivalents. The draft-3 year budget shows a further reduction in staffing, as well as cuts for operating expenses, by use of approximately \$136,216 of reserves. The budget does not include the additional costs to provide the necessary upgrades to Totem Arms.
- PMHS has prepared the draft 3-year estimated budget to help show the Executive Board what financial benefits may be gained by moving a smaller revised Totem Arms renovation project forward immediately with use of our fund balance, rather than waiting to try to secure outside funding.
- The Agency's engineering firm, Jensen Yorba Lot, has been requested to provide their professional services cost estimate to modify the original Totem Arms Renovation plan to scale back the original project to provide Agency use of the building on part of the second floor only. This revised plan would leave more apartment rental income in the future to help support Agency operations. The original plan called for substantial use of the 1st floor and 2nd floor.
- The Agency no longer provides an Employer provided Health Insurance Plan.
- Substantial internal operating policies and procedures have been implemented to help streamline some clerical and financial functions of the Agency.

4. Challenges that must be considered and addressed by the Executive Board as we transition:

- According to Tom Chard, Executive Director of the Alaska Behavioral Health Association, current legislative action to remove the requirement that providers must be a grantee of the State to bill Medicaid will open up Medicaid billing to providers in private practice as early as this summer. In small communities like Petersburg where Medicaid accounts for more than 80% of service fee revenue, this will have significant budgetary consequences.
- BH Services in Alaska are in the process of a paradigm shift. It is predicted that grants will "go away" with grantees being instructed to cover costs through increased Medicaid reimbursements. This places a burden on a nonprofit agency trying to maintain up front 24 hour coverage for psychiatric emergencies related to imminent risk of suicide or homicide. Private practitioners are not required to provide after-hours assistance to clients, law enforcement, or hospitals. To add a further financial burden, unlike private practice businesses, nonprofit agencies must continue to be accredited and complete extensive data entry into the State data base.
- Currently, the Agency has 1 full-time clerical worker for each full-time provider just to maintain accreditation, data entry, and medical billing functions. In the late 90s and early 2000s, one clerical staff member supported 2-3 providers. If administrative mandates do not decrease, nonprofits in small communities without strong local support may need to close or choose regionalization by becoming a small satellite office with one or two employees working under a large organization. In either case there will be an increased burden on law enforcement, hospitals, and churches to respond to crises.

These are only a few of the concerns that we must address within the next one to three years. Because we have no definite future funding answers at this time, we prepared the draft 3- year budget predicated on the retention of our CBHTR grant and local funding on a reduced annual basis. The budget includes continuing to provide a visiting psychiatrist and retaining some weekend services.

We are in hopes that the Borough will continue to assist us, as well as the other community services providers, as we work through these new financial changes and challenges. Both Executive Director Susan Ohmer and/or myself are available to meet with any Borough Officials at any time to answer questions regarding this narrative and attached financial information.

Petersburg Mental Health Services
Proposed FY 17 Behavioral Health Totem Arms Budget

	FY 16 Budget To State	Actual as of: 3/01/2016	Proposed FY 17 at Wells Fargo bldg	Proposed FY 18 as currently staffed	Proposed FY 19 Staff Reduced, stage 2
Income					
Borough	\$85,000.00	\$85,000.00	\$75,000.00	\$75,000.00	\$65,000.00
Contracts (School, PMC & Others)	\$23,100.00	\$9,062.50	\$15,000.00	\$15,000.00	\$15,000.00
Fees					
Medicaid	\$333,247.00	\$106,349.96	\$145,000.00	\$145,000.00	\$145,000.00
Medicare	\$6,000.00	\$5,976.15	\$7,000.00	\$7,000.00	\$7,000.00
Self-Pay	\$8,000.00	\$3,613.60	\$4,500.00	\$4,500.00	\$4,500.00
Third Party	\$22,000.00	\$18,714.84	\$22,000.00	\$22,000.00	\$22,000.00
Donations	\$2,000.00	\$4,114.54	\$2,000.00	\$2,000.00	\$2,000.00
MHT Mini-Grants		\$4,120.53			
State Behavioral Health Grant	\$354,443.00	\$265,833.00	\$319,000.00	\$287,100.00	\$258,390.00
Totem Arms Rental Income			\$66,715.00	\$51,300.00	\$59,100.00
Total Operating Income	<u>\$833,790.00</u>	<u>\$502,785.12</u>	<u>\$656,215.00</u>	<u>\$608,900.00</u>	<u>\$577,990.00</u>
Expense					
Personnel					
Wages	\$450,191.00	\$290,943.21	\$409,660.00	\$409,660.00	\$329,200.00
Taxes, WC, Benefits	\$173,999.00	\$68,816.60	\$78,148.94	\$78,148.94	\$65,596.40
	<u>\$624,190.00</u>	<u>\$359,759.81</u>	<u>\$487,808.94</u>	<u>\$487,808.94</u>	<u>\$394,796.40</u>
Training & Travel					
Pt. Time Clinician Only	<u>\$17,000.00</u>	<u>\$15,041.93</u>	<u>\$16,000.00</u>	<u>\$16,000.00</u>	<u>\$16,000.00</u>
Facility					
General Exp. (rent)	\$51,000.00	\$25,405.40	\$38,925.00	\$20,064.00	
Communications	\$9,000.00	\$9,598.24			
Office Telephone			\$4,700.00	\$2,286.00	\$2,286.00
Office Internet			\$1,740.00	\$1,740.00	\$1,740.00
Elevator & Fire Alarm Phone Lines			\$1,860.00	\$1,860.00	\$1,860.00
Elevator Annual Maintenance			\$2,075.00	\$3,500.00	\$3,500.00
Maintenance & Repair			\$17,500.00	\$6,000.00	\$6,000.00
Property Insurance			\$5,500.00	\$6,500.00	\$6,500.00
Property Taxes			\$4,650.00	\$4,800.00	\$4,850.00
Cleaning Supplies (employee do)				\$500.00	\$500.00
All Other	\$9,000.00	\$14,669.70			
Papke's Taxes			\$125.00	\$125.00	\$125.00
Postage/Freight			\$250.00	\$250.00	\$250.00
	<u>\$69,000.00</u>	<u>\$49,673.34</u>	<u>\$77,325.00</u>	<u>\$47,625.00</u>	<u>\$27,611.00</u>
Supplies					
Office (1,500.00)	<u>\$4,200.00</u>	<u>\$7,263.11</u>	<u>\$4,000.00</u>	<u>\$4,000.00</u>	<u>\$4,000.00</u>
Program (2,500.00)					
Equipment					
Small Equipment	<u>\$5,200.00</u>		<u>\$2,000.00</u>	<u>\$2,000.00</u>	<u>\$2,000.00</u>
Other					
Advertising	\$1,800.00	\$449.45	\$500.00	\$500.00	\$500.00

Petersburg Mental Health Services
Proposed FY 17 Behavioral Health Totem Arms Budget

Legal	\$4,000.00	\$778.50	\$1,000.00	\$1,000.00	\$1,000.00
Psychiatrist	\$32,000.00	\$12,056.56	\$17,000.00	\$17,000.00	\$17,000.00
Dues & Subscriptions	\$2,000.00	\$11,488.30			
Xerox \$355.00 mo.			\$4,260.00	\$4,400.00	\$4,800.00
Ability 35.00 mo.			\$420.00	\$470.00	\$500.00
Qualifacts 875.00 mo.			\$10,500.00	\$10,500.00	\$8,500.00
QuickBooks 60.00 mo.			\$720.00	\$850.00	\$900.00
Office 365 50.00 mo.			\$600.00	\$750.00	\$900.00
IT Support - 9 units			\$2,430.00	\$2,430.00	\$1,500.00
Ring Cenral avg. 10-20 mo.			\$216.00	\$250.00	\$275.00
Misc. (Licenses, Background cks, Dues, etc.			\$3,500.00	\$3,500.00	\$3,500.00
Insurance	\$14,000.00	\$14,410.82			
BH coverage			\$8,500.00	\$8,500.00	\$8,500.00
Auto (600.00)			\$600.00	\$600.00	\$600.00
All Other					
Auditor			\$28,000.00	\$28,000.00	\$18,000.00
Accountant			\$5,000.00	\$5,000.00	\$5,000.00
Accreditation			\$3,500.00	\$3,500.00	\$3,500.00
Bank Charges			\$850.00	\$850.00	\$850.00
Miscellaneous & Stratagies			\$1,500.00	\$1,500.00	\$1,500.00
Depreciation (set aside)			\$30,000.00	\$30,000.00	\$30,000.00
3rd Party Billing					\$25,000.00
Apartment Rent			\$7,200.00	\$7,200.00	
	\$60,400.00	\$47,256.79			
	<u>\$114,200.00</u>	<u>\$86,440.42</u>	<u>\$126,296.00</u>	<u>\$126,800.00</u>	<u>\$132,325.00</u>
Total	<u>\$833,790.00</u>	<u>\$518,178.61</u>	<u>\$713,429.94</u>	<u>\$684,233.94</u>	<u>\$576,732.40</u>
 Needed from Funds on Hand/Other Sources			 -\$57,214.94	 -\$75,333.94	 \$1,257.60

Petersburg Mental Health
Remodel of the Totem Arms Building
Phase II Breakdown (Plan #2)



	Quantity		\$/unit		Total
Demolition					
<i>Required for First Floor</i>					
Remove Doors & Frames	29 ea	\$	100	\$	2,900
Remove Partitions	2,800 sf	\$	4	\$	11,200
Remove Ceiling	2,800 sf	\$	2	\$	5,600
Remove Flooring	2,800 sf	\$	2	\$	5,600
Remove GWB on Exterior walls	2,000 sf	\$	2	\$	4,000
Remove Plumbing/Electrical	2,800 sf	\$	3	\$	8,400
Remove Casework	50 lf	\$	30	\$	1,500
Miscellaneous	2,800 sf	\$	1	\$	2,800
					\$ 42,000
<i>Required for Second Floor</i>					
Remove Doors & Frames	13 ea	\$	100	\$	1,300
Remove Partitions	1,000 sf	\$	4	\$	4,000
Remove Ceiling	2,800 sf	\$	2	\$	5,600
Remove Flooring	2,800 sf	\$	2	\$	5,600
Remove GWB on Exterior walls	2,000 sf	\$	2	\$	4,000
Remove Plumbing/Electrical	2,800 sf	\$	3	\$	8,400
Remove Casework	50 lf	\$	30	\$	1,500
Miscellaneous	2,800 sf	\$	1	\$	2,800
					\$ 33,000
Exterior Envelope					
Remove Siding & Windows	3,500 sf	\$	3	\$	10,500
Exterior Insulation and siding	3,000 sf	\$	20	\$	60,000
New windows	30 ea	\$	1,000	\$	30,000
					\$ 101,000
<i>Required for First Floor</i>					
New doors & hardware	3 ea	\$	1,600	\$	4,800
Insulate stud walls	4,000 sf	\$	2	\$	8,000
Rear ramp and stair revisions	1 ls	\$	18,000	\$	18,000
Miscellaneous	2,800 sf	\$	2	\$	5,600
					\$ 36,000
<i>Required for Second Floor</i>					
Insulate attic	2,800 sf	\$	2	\$	5,600
Improvements to stair/decks/ramp	1 ls	\$	30,000	\$	30,000
Miscellaneous	2,800 sf	\$	2	\$	5,600
					\$ 41,000
Interior Construction					
<i>Required for First Floor</i>					
Partitions	2,200 sf	\$	15	\$	33,000
Doors & hardware	14 ea	\$	1,400	\$	19,600

GWB on exterior walls	2,000 sf	\$	8	\$	16,000
Ceilings	2,800 sf	\$	25	\$	70,000
Floor finishes	2,800 sf	\$	8	\$	22,400
Apartment Casework	36 lf	\$	250	\$	9,000
Domestic Appliances	2 ls	\$	4,000	\$	8,000
Office Counter	15 lf	\$	150	\$	2,250
Mechanical	1 ls	\$	70,000	\$	70,000
Electrical	1 ls	\$	68,000	\$	68,000
					\$ 318,250

Required for Second Floor

Partitions	1,500 sf	\$	15	\$	22,500
Doors & hardware	9 ea	\$	1,400	\$	12,600
GWB on exterior walls	2,000 sf	\$	8	\$	16,000
Ceilings	2,800 sf	\$	8	\$	22,400
Floor finishes	2,800 sf	\$	8	\$	22,400
Casework	125 lf	\$	250	\$	31,250
Domestic Appliances	5 ls	\$	4,000	\$	20,000
Mechanical	1 ls	\$	70,000	\$	70,000
Electrical	1 ls	\$	68,000	\$	68,000
					\$ 285,150

\$ 856,400

Phase 1	\$140,250
Phase 2	\$287,400
Phase 3	\$155,250
Phase 4	\$225,900

Total Construction (rounded) \$ 856,000

Project Costs

Design	10%	\$	86,000	
CA & Inspections	15%	\$	128,000	
Permits and administration	5%	\$	43,000	
Funnrlishing and Equipmrent	5%	\$	43,000	
Phasing		\$	50,000	
Contingency	16%	\$	137,000	
Subtotal (rounded)				\$ 487,000

Total (rounded) \$ 1,343,000

PETERSBURG MENTAL HEALTH SERVICES, INC.**BALANCE SHEET**

As of March 15, 2016

	TOTAL
ASSETS	
Current Assets	
Bank Accounts	
1 First Bank Checking	185,724.45
1st Bank Security	7,450.41
first Bank - Totem Arms Savings	82,183.16
First Bank Savings	337,682.59
Michael Wittstock Trust (deleted)	0.00
Petty Cash	334.55
Prime Saver Time Deposit (deleted)	0.00
RBC 315-57135	6,229.18
RBC 316-16329	0.00
RBC 316-16333	2,094.25
RBC Wealth - Totem Arms Account	0.00
SEI Private Company (deleted)	0.00
Time Deposit (deleted)	0.00
Wells Fargo Credit Card (deleted)	0.00
Wells Fargo Savings Account	252,564.99
Total Bank Accounts	\$874,283.58
Accounts Receivable	
1200 Accounts Receivable	80,514.25
AR - Non-Trade	0.00
Bad Debt Allowance	-76,009.64
Total Accounts Receivable	\$4,504.61
Other current assets	
1499 Undeposited Funds	2,145.10
2120 Employee Advance	0.00
A/R - Equipment Sale	0.00
A/R - State Grant	187,949.00
A/R 6/30/97 (deleted)	0.00
Allowance for Bad Debts	0.00
Prepaid expenses	0.00
RBC Investment Account 315-57135	361,055.14
RBC Investment Account 16329	0.00
RBC Investment Account 16333	136,375.46
Uncategorized Asset	0.00
Total Other current assets	\$667,524.70
Total Current Assets	\$1,566,292.89
Fixed Assets	
Buildings	840,218.68
CIP	100,000.00
Furniture & Fixtures	150,156.64
Less - Accumulated Depreciation	-114,248.09
Total Fixed Assets	\$976,127.23
Other Assets	
Investment (Principal Group)	0.00
Lands	174,058.89
Total Other Assets	\$174,058.89
TOTAL ASSETS	\$2,716,479.01
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable - Trade	0.00
Total Accounts Payable	\$0.00
Other Current Liabilities	
2100 Payroll Liabilities	0.00
403 (b) Employee	0.00
Advanced Payment for Travel that was cancell	0.00
AK Unemployment Tax	1,670.85
Federal Taxes (941/944)	0.00

	TOTAL
Federal Unemployment (940)	0.00
Miscellaneous Deduction	0.00
Moving Expenses	0.00
Relocation Payback	0.00
Total 2100 Payroll Liabilities	1,670.86
2110 Direct Deposit Liabilities (deleted)	0.00
403(b) Payable (deleted)	0.00
Accrued Annual & Sick Leave	34,234.28
Accrued Wages	20,523.36
AK Unemployment Payable	0.00
Direct Deposit Payable	0.00
Direct Deposit Payable (deleted)	0.00
FICA & Medicare payable	0.00
FUTA Payable (deleted)	0.00
Other payables	0.00
Repayment	
Payroll Advance Repayment	0.00
Total Repayment	0.00
Total Other Current Liabilities	\$56,428.49
Total Current Liabilities	\$56,428.49
Total Liabilities	\$56,428.49
Equity	
3000 Unrestricted Net Assets	216,193.41
3900 Retained Earnings	2,016,509.61
Suspense/correction acct.	0.00
Temporarily Restricted Net Asse	42,586.00
Net Income	384,761.50
Total Equity	\$2,660,050.52
TOTAL LIABILITIES AND EQUITY	\$2,716,479.01

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