

Long Term Care Committee Meeting
Wednesday, July 14, 2010

Chairman Kreidt and members of the Long Term Care Committee, I am Kristin Lunneborg, CFO at the North Dakota Veterans Home. I am here today to update you on the status of our 2009-2011 biennium appropriation.

Our appropriation grew this biennium from the normal three major expense categories of salaries, operating and capital to seven expense categories including funding for the construction of the new veterans home and funding for a geothermal heating system. Our revenue sources also grew from two funding sources to three.

Revenue

Funding sources for our 2009-2011 budget come from special funds that are collected by the veteran's home, federal funds from the construction grant and general funds appropriated by the legislature. I have included in the appropriation status report our special fund and federal fund revenue appropriations. With 54% of the biennium remaining as of May 31, 2010, we show that we still have 57% of our special fund revenue to collect. Although it seems as though our revenue collections are short, the difference is due to the additional revenue that is to be collected once we move into the new facility.

The additional revenue will be rent income generated from the 14 additional skilled nursing beds and the additional basic care residents we will be able to care for due to the change from double to private rooms. Although we will catch up on some of our revenue collections, I do expect revenues may fall short of projections by \$300,000 - \$350,000 due to the delay in the completion of the new home. The budget projections were based on a completion date of October 1st of this year. Current change orders have approved a December 24th completion date but the contractors are still trying to push the date to April 2011.

To date we have received \$7.9 million in matching grant funds from the Department of Veterans Affairs for construction costs of the new home and we anticipate collecting 100% of the \$14.6 million in grant funds allocated for our project. Our budget also includes an appropriation of \$3.1 million in federal stimulus funds for a thermal imager, electronic health records system, bobcat utility vehicle and geothermal heating system. It is our understanding in discussions with the Department of Commerce and OMB that we are not eligible for any of the federal stimulus funds.

Expenses

With 54% of the biennium remaining we have 59% of our salary appropriation remaining. The major reason for the 5% “savings” is that we have not hired any of the additional 24 FTE needed for the new facility.

The appropriation status report shows that we have 65% of our appropriation remaining for operating expenses. This “savings” is also attributed to the increase in expenses we will have once we move into the new facility and are caring for more residents. We are unsure yet what impact the delay in construction will have on our operating expenses. Although we do anticipate some savings, we do know that we will have some expenses not previously anticipated including increased legal fees, contract nursing fees and other expenses related to the delays in construction. We anticipate any decreases in operating expenses will be offset by the loss in special fund revenue.

Our capital assets line item is on target with only two big items remaining to be purchased, the electronic health records system and the telephone system for the new home. We are currently in the process of putting together an RFP for the electronic health records system and hope to purchase a system in the next 4 – 5 months. We are also in the process of evaluating telephone systems and are in the beginning phases of starting the procurement process to purchase a system. The telephone system also impacts the operating budget every month that there is a

delay in the completion of the project as it adds roughly \$5,000 a month back into operating expenses. The budget was prepared anticipating a savings of \$66,000 in operating costs with the new system.

The next line item on the appropriation status report shows an appropriation of \$27,921,467 for the construction of the new veteran's home. I have included in your information a summary of the appropriation and expenses to date for the veteran's home project. Please do not compare the expenses on the two reports as the appropriation status report is as of May 31, 2010, and the construction report is as of July 9, 2010. Looking at the report dated July 9th, you will see that the project is roughly 62% complete. We have roughly 40% of our construction budget remaining and we have \$238,000 remaining in our contingency budget.

The line item for 2009 flood expenses was not part of our 2009-2011 biennium appropriation. The line of credit was granted by the Emergency Commission pursuant to NDCC 54-16-13 and relates to a \$1,000,000 line of credit that was extended to us from the Bank of North Dakota to cover expenses that we incurred during the flood of 2009. In the end, we borrowed \$152,232 from the Bank of North Dakota and recently paid back all but \$40,387 of that amount. We are still in the process of evaluating all claims submitted for payment to see if we have been reimbursed for everything that we were eligible for. The remaining amount to be paid back to the Bank of North Dakota will need to come from our operating expense line item.

As I mentioned earlier, we do not anticipate collecting any of the federal stimulus funds that were appropriated in our budget and therefore, will not use any of the funding shown in class 31375 on the appropriation status report.

The last major line item under expenditures is for the contingent funding of the geothermal heating system with general fund dollars if federal funds appropriated are not available. Since the Department of Commerce indicated that we did not qualify for federal stimulus funds for

the geothermal system all general funds in this line item were used to pay for the installation of the geothermal heating system.

Status of full-time equivalent positions

As I stated earlier, we have not hired any of the additional 24 FTE's for the new facility. The new veterans' home is built in a household/neighborhood design that will have a dramatic impact on our staffing. Staffing in the household design varies significantly from our current staffing in that it combines many of our existing roles into one. The plan is to combine dietary, activities, housekeeping and certified nursing assistants into one universal role. We are currently in the process of evaluating and developing the new position information questionnaires (PIQ's) that we will have to complete in order to reclassify many of our positions. From there we will develop our training programs and hire the additional staff necessary.

Areas of Concern

Due to the excessive water that we received back in October 2009, there were some unforeseen construction issues on the building site. The mechanical contractor on the project is unhappy with the additional expenses their firm incurred due to trench failures on the site. There has been much correspondence between their attorney and our attorney regarding a settlement and a meeting was recently held to try and work the situation out. At that meeting, our owner's representative and attorney made a strong argument why we feel that the veteran's home is in no way responsible for any of the additional costs they incurred. At this time we do not know what future actions their firm will take but there is a potential for a lawsuit if we are unable to resolve this issue to their satisfaction.

Percentage of Biennium Remaining = 54%

**North Dakota Veterans Home
Appropriation Status Report
For The Month Ending May 31, 2010**

	<u>Original</u> <u>Appropriation</u>	<u>Current</u> <u>Appropriation</u>	<u>Revenues/</u> <u>Expenditures</u>	<u>Remaining</u> <u>Appropriation</u>	<u>Percent</u> <u>Remaining</u>
Special Fund Income	10,181,327.00	10,181,327.00	4,400,868.61	5,780,458.39	57%
Federal Fund Income	5,801,909.00	17,842,187.00	7,933,282.20	9,908,904.80	56%
 Expenditures by Line Item					
31310 Salaries and Wages	11,538,855.00	11,628,855.00	4,806,925.83	6,821,929.17	59%
31330 Operating Expenses	4,561,857.00	4,561,857.00	1,585,300.12	2,976,556.88	65%
31350 Capital Assets	259,906.00	259,906.00	95,410.83	164,495.17	63%
31355 New Veterans' Home	11,028,983.00	27,921,467.00	11,289,475.67	16,631,991.33	60%
31370 2009 Flood Expenses	0.00	862,573.73	17,383.75	845,189.98	98%
31375 Federal Stimulus Funds - 2009	3,158,005.00	3,158,005.00	0.00	3,158,005.00	100%
31376 Contingent Appropriation-Ln 55	3,039,414.00	3,039,414.00	3,039,414.00	0.00	0%
Total Expenditures	33,587,020.00	51,432,077.73	20,833,910.20	30,598,167.53	59%
 Expenditures by Funding Source					
General Fund	16,751,722.00	16,841,722.00	13,236,320.32	3,605,401.68	21%
Federal Funds	5,801,909.00	17,842,187.00	5,066,270.74	12,775,916.26	72%
Special Funds	11,033,389.00	16,748,168.73	2,531,319.14	14,216,849.59	85%
Total Expenditures by Source	33,587,020.00	51,432,077.73	20,833,910.20	30,598,167.53	59%

Summary of ND Veteran's Home Project

As of July 9, 2010

Authorized Budget

Architectural Fees	\$2,273,907
Construction	
General	\$16,620,500
Electrical	\$2,556,115
Mechanical	\$6,432,953
Sub-total	<u>\$25,609,568</u>
Other	
Sub-total	
Geothermal heat	\$2,814,272
Contingency	\$950,000
FF&E	\$1,842,920

Total: \$33,490,667

Other Construction Costs:

Money granted by legislature for preplanning in 07-09 Biennium	\$100,000
Patient lifts	\$200,340
Move 3 stall garage	\$17,000
Maintenance Building	\$93,000
Mill, overlay, curb & gutter	\$125,000
Street lighting	\$45,000
Landscaping	\$70,000
Site work (prior to legislative session)	\$1,035,958
Sub-total other construction costs	<u>\$1,686,298</u>

Total Construction Estimated Costs: \$35,176,965

Other Costs:

Owners Representative	\$90,088
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Total Authorized Construction Budget: \$35,267,053

Construction Budget

\$35,176,965	Total construction budget
<u>-\$21,190,409</u>	Less bills paid
<u>\$13,986,556</u>	Budget Remaining = 39.76%

Contingency Budget

\$750,000	Contingency funds
<u>-\$511,947</u>	Change orders to date
<u>\$238,053</u>	Contingency funds remaining

Percentage of completion on project = 61.86%