



Hidalgo County Head Start MEMORANDUM

“Children first...”

Date: September 18, 2014

To: Hidalgo County Policy Council
Hidalgo County Commissioners' Court

From: Teresa Flores, Executive Director *Teresa Flores*

C.C: Edmundo Garcia, Assistant Program Director
Nora Munoz, Assistant Program Director
Elma Keller, Chief Financial Officer

Subject: 2014 Budget (Health and Human Services Dept.)
2014 Budget for Nutrition (Texas Department of Agriculture)

Below is an outline of the funding sources and related expenses for the Hidalgo County Head Start Program. Section I recaps the funding allocation from the Department of Health and Human Services and the estimated expenses for fiscal year 2014. These funds are matched with a twenty percent (20%) In-Kind contribution by the community which is detailed in the Federal Application form SF-424.

Section II describes the funding allocation for the Nutritional component of the Head Start Program through the Texas Department of Agriculture.

SECTION I.

The Hidalgo County Head Start Program hereby submits a Continuation Funding Application for FY2014 (1/1/2014 to 12/31/2014) under Grant No. O6CH0183 to the Administration for Children and Families, Department of Health and Human Services in the amount of **\$24,134,644**. The proposed funding level from the Department Of Health and Human Services reflects the same reduced funding level awarded in 2013 as a result of sequestration.

2013 Budget and Sequestration Plan

As required, sequestration reduced the 2013 budgeted allocation for the Hidalgo County Head Start Program by **\$1,327,253**. Drastic measures were taken to meet this shortfall. These measures included the following:

- 21 positions were eliminated at a cost of **\$608,279**
- A reduction in Workers Compensation Costs totaled **\$312,826**
- Reallocation of Staff Development personnel costs to the Training and

Technical Assistance (T&TA) component yielded **\$69,254**

- Supplies were reduced by **\$170,517**.
- Other categories were reduced by **\$156,377**.
- All travel was reduced to only the necessary daily travel for monitoring purposes **\$10,000**.
- All Centers with six (6) classrooms or less were allocated one custodian only.
- Buses are conducting one route only.
- Tuition reimbursement is only approved for teachers/staff pursuing the BA as described in job description.
- All reimbursement for books was eliminated.
- The provision for substitute classroom help has been substantially reduced.
- Key personnel have taken on additional responsibilities.

The Sequestration Plan submitted to the Department of Health and Human Services for 2014 assumed an increase in medical expenses of \$100 per employee per month which would have created a budget shortfall estimated to be \$838,000. In order to further dwindle down the projected shortfall, the Plan asked and received permission to shift the salary costs for Staff Development and for twenty five percent (25%) of the cost related to the Area Directors' salaries to Training and Technical Assistance funds, further reducing salaries and fringe benefits by **\$222,616**.

2014 Budget Plan

The most current information from the County Budget Office indicates that in 2014 the actual increase in Medical premiums will be \$139 per employee per month. In addition liability insurance premiums have increased by \$57,000 and other operational expenses have increased, creating a budget shortfall of **\$1,233,434** for fiscal year 2014 as listed below:

Health Insurance (Costs increased from \$347 to \$486 per employee; \$139 more per employee per month) \$139 x 699 employees x 12 months	\$1,165,932
Liability Insurance (Costs increased from \$140,000 to \$197,000)	\$ 57,000
Other operational expenses	\$10,502
Total additional increased costs for 2014	\$1,233,434

As Administration continued to review budget needs, ten (10) additional vacant positions were eliminated. This additional reduction coupled with the approved shift in the Sequestration Plan to Training and Technical Assistant Funds, decreases the estimated budget shortfall to **\$749,465**.

Estimated shortfall	\$1,233,434
Elimination of Vacant Positions	-\$261,353
Reclassification of Salary Costs to T&TA Budget	-\$222,616
Remaining Budget Shortfall	\$749,465

After reviewing the anticipated expenses for 2014 and taking into account the impact of sequestration on the Program's funding, it becomes clear that in order to balance the Budget and maintain the same level of services, each Hidalgo County Head Start employees will have to bare a portion of the cost increase related to medical insurance premiums. Each Head Start employee will incur an estimated **\$89** in expenses to cover part of the **\$139.00** monthly increase for medical premium insurance.

The Hidalgo County Head Start Program will continue to streamline processes and examine ways to reduce the additional cost burden to the Head Start personnel.

The most significant changes when comparing the 2013 post sequestration budget to the proposed 2014 budget for the Department of Health and Human Services are reflected in the following line items:

- **Salaries (\$109,602).** This line item reflects the reduction of additional vacancies post sequestration.
- **Fringe Benefits \$1,071,181.** The net increase in this line item accounts for the additional cost related to medical insurance premiums.
- **Employee Costs (\$749,465).** This adjusting budget category represents the estimated reduction to Fringe Benefits that will be incurred by the employee, approximately \$89 per employee per month, in order to balance the budget
- **T & TA Cost Shift (\$222,616).** This adjusting budget category represents the approve shift of expenses from Salaries and Fringe Benefits to Training and Technical funds
- **Supplies (\$19,098).** The net impact in the category represents additional reduction in anticipated expenses to align budget with post sequestration funding.
- **Other \$29,600.** This category accounts for a net increase in expenses as result of the escalation in the liability insurance premiums.

Section II
Texas Department of Agriculture
Funding For Nutritional Services

The application for food services to the **Texas Department of Agriculture** for FY2012 (10/1/2013 to 9/30/2014) for reimbursement under **The Child and Adult Care Food Program** is in the amount of **\$2,990,057**. This application reflects an estimated increase in reimbursement of \$67,435 due to an upward adjustment in the rate of reimbursement from \$5.4175 to 5.5425 (.1250) per child/per day.

The most notable changes from the 2013 budget are as follow:

- **Salaries (\$49,108)**. This line item reflects a decrease due to the elimination of vacancies. TDA covers 39% salary expense for custodians.
- **Fringe Benefits (\$15,311)**. This line item reflects a decrease due to the elimination of vacancies.
- **Utilities \$50,266**. The increase in utilities has been increased to accommodate the estimated increase in food production as the Program transitions into preparing additional meals for meetings and conferences program-wide. In addition it more closely aligns actual to budgeted expenses.
- **Non-Food Supplies \$20,689**. An increase is reflected in this category sue primarily to an increase in in prices. It also reflects the expense of shifting from catering to in-house for preparation for program meetings and conferences.
- **Vehicle Maintenance (\$2,967)**. The decrease in this line item reflects the new delivery vans purchased in 2012-2013.
- **Vehicle Fuel \$1,452**. The slight increase in this line item is aligned with the estimated price increase in fuel.
- **Equipment Maintenance \$7,066**. This increase is aligned with the expected usage of older kitchen equipment and additional production related to in-house food production requirements.
- **Food \$164,803**. This line item captures all food costs related to the production of meals. The increase in this item is in line with the cost increases the Program has experienced in food related items during the year, in addition to the additional production for in-house events.

More detailed changes impacting all other line items are reflected in the attached Budget Analysis for review and discussion.

Hidalgo County Head Start Program

2014 Budget Analysis

Description	Post Sequestration 2013 Budget	Proposed 2014 Budget	Variance	Comments/Notes
Salaries/Fringes				
Salaries	16,293,283.20	16,183,681.30	(109,601.90)	Reduced additional vacancies
Fringes/Pension Costs	5,479,131.57	6,550,312.63	1,071,181.06	Reduced additional vacancies/Increased Health Ins
Total Salaries/Fringes	21,772,414.77	22,733,993.93	961,579.16	
Employee Costs		(749,465.00)	(749,465.00)	Increased insurance costs to be paid by employees
T&TA Costs/Salaries		(222,616.00)	(222,616.00)	Salaries portion charged to T&TA
Out of Town Travel	-	-	-	
Equipment	-	-	-	
Supplies				
Office	79,500.00	62,200.00	(17,300.00)	Reduction in orders to meet sequestration cuts
Postage	10,000.00	10,000.00	-	
Classroom	172,700.00	172,700.00	-	
Maintenance	154,483.00	154,483.00	-	
Janitorial	75,000.00	75,000.00	-	
Medical	13,500.00	8,006.84	(5,493.16)	Reduction in orders to meet sequestration cuts
Playground	-	-	-	
Operational	49,755.00	53,450.00	3,695.00	To realign actual expense to 2013 levels
Total Supplies	554,938.00	535,839.84	(19,098.16)	
			-	
Other				
Center Space	167,911.00	167,911.00	-	
Telephone	214,200.00	214,200.00	-	
Utilities	433,844.51	433,844.51	-	
Local Travel	87,400.00	87,400.00	-	
Renovations	-	-	-	
Audit	35,000.00	35,000.00	-	
Dental Serv	20,000.00	15,000.00	(5,000.00)	More children qualify for medicaid services
Disability Serv	5,000.00	5,000.00	-	
Mental Health	25,000.00	20,000.00	(5,000.00)	Reduced budget line item to meet sequestration cuts
Medical Serv	6,000.00	6,000.00	-	
Printing- Admin	7,497.72	7,497.72	-	
Printing Center	32,705.00	32,705.00	-	
Insurance	140,000.00	197,000.00	57,000.00	Increase in liability insurance rates
Vehicle Maintenance	100,000.00	100,000.00	-	
Fuel	125,000.00	125,000.00	-	
Equip. Repair-Admin	1,500.00	1,500.00	-	
Equip. Repair-Center	48,000.00	47,500.00	(500.00)	Reduced budget line item to meet sequestration cuts
Equip. Rental	12,900.00	1,000.00	(11,900.00)	Reduced budget line item to meet sequestration cuts
Parent Engagement	-	-	-	
CDA/ T.T.A.	276,833.00	276,833.00	-	
Legal Fees	57,500.00	57,500.00	-	
Bank Fees	6,000.00	6,000.00	-	
Advertising	5,000.00	-	(5,000.00)	Eliminated costs to meet sequestration cuts
AA Program	-	-	-	
Total Other Expend.	1,807,291.23	1,836,891.23	29,600.00	
Total Budget	24,134,644.00	24,134,644.00	0.00	

Texas Department of Agriculture (TDA) Budget Analysis

Description	2012-2013	2013-2014	Difference	Comments/Notes
Salaries/Fringes				
Salaries	967,265.31	918,157.14	(49,108.17)	Reduction in positions
Fringes/Pension Adm Costs	426,296.28	410,985.12	(15,311.16)	Reduction in positions
Total Salaries/Fringes	1,393,561.59	1,329,142.26	(64,419.33)	
Employee Costs		(48,594.00)	(48,594.00)	
Food	1,192,081.37	1,356,884.17	164,802.80	Realign expenditures to 2012-2013
Supplies and Equipment				
Equipment	60,000.00	-	(60,000.00)	Not ordering equipment for 2013-2014
Non-Food Supplies	116,534.42	137,223.54	20,689.12	Realign expenditures to 2012-2013
Office Supplies	7,789.33	4,852.66	(2,936.67)	Reduction in orders for office supplies
Purchased Services				
Equipment Maintenance	37,902.90	44,968.68	7,065.78	Outdated equipment requiring repair
Vehicle Maintenance	8,570.57	5,603.47	(2,967.10)	Purchased two vans in 2012-2013
Vehicle Fuel	23,946.84	25,398.36	1,451.52	Rising fuel costs
Utilities	42,999.92	93,265.68	50,265.76	Realign expenditures to 2012-2013
Telephone	7,000.00	5,965.90	(1,034.10)	Appropriations reflect actual costs in comparison to 2012-2013
Subscriptions	2,000.00	2,000.00	-	
Media Costs	2,300.00	2,300.00	-	
Organization Costs				
Local Travel	5,000.00	3,499.56	(1,500.44)	Travel cost is not anticipated to be over budgeted appropriations
T & TA	22,935.12	27,546.54	4,611.42	Additional training for food coordinators
Total Operating Expenses	1,529,060.47	1,709,508.56	180,448.09	
Total Budget	2,922,622.06	2,990,056.82	67,434.76	<i>Rate per meal increased from \$5.4175 to \$5.5425 for 2013-2014.</i>

Reimbursement Formula:

172 Service Days x 3,690 Children x 85% ADA x \$5.4175 Reimbursement Rate = \$2,990,056.82

Reimbursement Rate is Calculated as follows:

Breakfast	1.58
Lunch	2.93
Snack	0.80
Cash-in-Lieu of Commodities:	<u>0.2325</u>
Reimbursement Rate	5.5425