



MEMORANDUM

from the desk of
Suzanne K. Hinton
Treasurer to the Boards
Chief Financial Officer

TO: Finance Committee of the Board of Trustees
FROM: Suzanne Hinton
DATE: May 27, 2025
SUBJECT: FY2026 Budget

Attached for your consideration is the FY2026 Budget Summary. It has been reviewed in detail and approved by members of Finance Committee of the Board of Trustees at a meeting held on May 22, 2025. The St. Joseph's Villa Foundation approved an operational grant to the Villa covering FY2026 for \$951,984 at their March 4, 2025 board meeting.

The budget process remained consistent with prior years and services were pushed by leadership to achievable but not over reaching limits. Highlights from the FY2026 budget include the following:

Overview of FY2026:

- This budget is prepared to include the Crisis Receiving Center (CRC) at the same funding level from Henrico County as was committed last summer after the approval of the FY2025 budget. The CRC in FY2025 was budgeted to break-even with revenue and expense of approximately \$1,698,000.
- In FY2026, total revenues of \$24,918,544 and total expenses of \$25,870,528 are budgeted as compared to FY2025 totals (including CRC) of \$25,015,102 revenue and \$26,014,415 expenses, representing a revenue and expense decrease of \$96,558 and \$143,887 respectively, compared with the FY2025 budget.
- The Foundation granted an operational subsidy for FY2026 of \$951,984, a \$47,329 decrease from \$999,313 in FY2025. This calculation is based on the 12-quarter average market values of the Foundation portfolio at a 4.0% spend rate. The Foundation's Investment Policy Statement (IPS) and the spend calculation remains at 4.0%, unless changes are made to the IPS by the Foundation Board of Directors.
- As a general theme, we are still feeling the impact of inflationary pressures in wages, contractors, and supplies, and feeling a struggle for full staffing (slightly less so). We are cautious of how federal cuts might affect state and local funding, however we cannot attempt to predict the unpredictable; therefore, the FY2026 budget was designed to be as conservative as possible in revenue streams while still covering necessary costs.
- For FY2026, the educational programming is being combined into one school under central operations, with a newly branded name. The Villa Education Center will continue to educate the same populations as we currently serve, and the school will benefit from a blended administration,

with the same clinical and operational support to all students. The process is a huge undertaking and involves new licensing with new organization charts, calendars, operations manuals, etc., and should be initially operationalized by July 1; however will continue to be nuanced throughout the year. Rates and student enrollments are still budgeted based on classroom structures.

- There are several Medicaid programs that will be sunseting in June of 2026, with still undefined replacements. After reviewing the need and viability of those programs through FY2026, it was decided that we would, at this point, close the Mental Health Skill Building program for adults, as it currently operates. The Villa will continue to hold a license for this work because there was a portion of this program that worked in partnership with Housing and Homeless Services, which may continue to be utilized as a function of that program instead. There is no program budget for FY2026.
- Notwithstanding the change in programming noted above, the employee costs for the Villa's comparable programs have increased \$523,000, from the prior budget due primarily to continued wage inflation. A compensation study was referred to in the budgeting process and almost all recommendations were implemented. Total employee costs of \$19,684,120 represents 76% of the total budgeted expenses for FY2026, 1% higher than the prior year. We evaluated multiple staff positions through the budget process, some of which are no longer included in the budget and others which have been restructured.
- For FY2026, United Healthcare, our current insurer originally quoted a 20+% increase in rates, so our broker went to market and the Villa was quoted by another insurer for a 9-12% increase, still substantial. Our broker was able to finally negotiate a healthcare renewal with United Healthcare at an approximate 5% increase, to provide the least amount of disruption to our employees. A more specific direct count of employees currently enrolled in our health plan was used in budgeting the FY2026 enrollment.
- The FY2024 audited financial statements, completed during the FY2025 budget year, brought about a new accounting standard related to credit losses and estimations of allowances for uncollectible accounts. It was decided that a budgeted amount should be added to the FY2026 budget to capture that annual estimation and any actual write offs that occur throughout the year. These relate only to insurance collections. \$77,000 was estimated in the FY2024 audit; therefore the same amount was included in the FY2026 budget and will be reevaluated each year. No such provision was included in the FY2025 budget, completed prior to the audit.
- The Development process, in addition to the New Day Fund which is budgeted \$10,000 higher than FY2025, includes \$4,107,801 of programmatic components that are included in each respective program budget in the appropriate grant timelines:
 - Government and public grants totaling \$3,012,801 allocated 80% to Housing and Homeless Services and 20% to Alternative Education;
 - Private grants and gifts totaling \$1,025,000, allocated \$763,000 for Housing and Homeless Services, \$120,000 for Career and Transition Services, \$92,000 for Crisis Services and Mental Health, \$50,000 capital;
 - Net income from the golf event netting approximately \$70,000, a portion of which supports Day Support and Mental Health.

Children's Educational Services (CES):

- The FY2026 Villa Education Center contribution to the Villa's budget is \$2,411,000, down \$14,000 from FY2025. It represents approximately 52% of the Villa's revenue, up from 50%; and 41% of the Villa's expenses, up from 36%.
- Elementary rates were increased from \$321/day to \$337/day, Secondary rates were increased from \$394/day to \$413/day, Autism rates were increased from \$495/day to \$519/day and One to One

Counseling rates were increased from \$223/day to \$234/day. Each of these increases approximates the 5% rate increase cap that was signed into the Commonwealth of Virginia budget.

- All rates align with peer providers and increases are evaluated annually and done only as necessary, primarily to recruit and retain excellent teachers and staff in competition with the surrounding locality pay scales, the impact from which ranged individually from 8-15%. Total employee costs increased by \$410,000 and total revenue increased by \$495,000.
- We continue to post our fees as inclusive of both asynchronous and in-person learning, and inclusive of all dates enrolled without regard for attendance. The localities have been stricter in their individual contracts with attendance clauses and required communications of absences, so the school must monitor attendance closely to ensure there are no unbillable days due to lack of required communications or interpretations of unexcused absence.
- Enrollments were realistically budgeted based on current enrollments, graduations, planned movements between grades, and referrals, and classroom staffing needs were aligned with enrollments.
- The school calendar for FY2026 includes two tracks, a year-round track for autism classrooms and a school year/summer track for elementary and secondary education classrooms. There are 224 school days planned in Track A and 185 school days + 33 summer days planned in Track B. The Villa made no allowance for snow days, as our policy is to invoice based on enrollment, not attendance. Very few, and usually only the smallest localities, push back on paying for inclement weather days, if applicable, for a campus closure. Last year's weather coupled with a water crisis was an anomaly.
- Enrollments for Track B have averaged 32 for the 2024-25 school year, 21 in the summer months, and is budgeted to start the summer with 18 students, increasing to 25 to begin the regular school year. Track B is budgeted to incrementally increase and to end the regular school year with 40 students enrolled. Additionally, 9 one-to-one students are budgeted for the summer and 12 throughout the school year. Currently, there are 9 enrolled with a one-to-one counselor.
- Enrollments for Track A have averaged 87-88 for the 2024-25 year. FY2026 budgeted student enrollment begins at 88, taking into consideration current enrollment, graduations, and other discharges back to the public schools, and students on the current waiting list. Enrollment is not budgeted to increase during the year due to the direct correlation that staffing has on the availability to open more classrooms. Each autism classroom is budgeted for 8 students and 7 staff.
- The fee allocation to Career and Transitional Services (CATS) from the private day program was decreased to \$24 per day per student in FY2026 down from \$30 in FY2025. This is an internal charge between the programs which was initially put in place years ago to assist funding the development of the CATS program. However in recent years, the CATS program has become a freestanding program, which is very well-received by philanthropic efforts, and as a result, funding is more accessible which allows it to reduce its dependence on school fees.
- This year's CATS budget includes \$120,000 in grant funding from long-term grantors and new opportunities.
- The CATS budget also includes a provision for revenue for snacks that are provided to other services on campus at an internal charge. The budgets for those services receiving snacks, in turn, includes an offsetting expense to CATS. Snack revenue totals \$20,400, unchanged in FY2026. The calculation is based on approximately \$2/snack, includes a margin to CATS, and is used as a part of CATS' educational programming.
- The Alternative Education (Alt Ed) service is a regional program funded partially by a grant from the Commonwealth of Virginia paired with monthly payments from three localities, Hanover, Henrico, and Richmond, which make up the Metro Richmond Alternative Education Program. The localities each maintain a number of slots for their students, as adjusted amongst themselves from time to time. The Virginia grant was decreased for FY2025 and FY2026. The Villa is currently working with the City of Richmond, fiscal agent for Virginia, to refine the data that is used in the application process for FY2027. We feel that we are not receiving a proportionate share of the state allotment,

and that the numbers presented in the joint application are not indicative of all the students eligible in each of the three localities. Approximately 69% of the budgeted revenue will be paid out in employee costs and the remainder of the budget is as streamlined as possible. The FY2026 budget includes a 5% increase for the localities, in line with the other education rate increases.

- Children's Education Services, being the largest system, also utilizes the majority of the culinary service, the gym, and the occupancy, technology, staff development and management allocations across campus.

Housing and Homeless Services (HHS):

- The HHS budgets are entirely funded by grants and contributions, with the exception of the Hollybrook office space rental.
- The HHS budget was prepared assuming that the federal funding for both Richmond and Petersburg, will open as scheduled. Should there be delays or denials in contracts or funding, the programs have back-up plans for operations at reduced levels.
- Given that operational funding is currently more stable for the Crater Area Coalition on Homelessness (CACH), our Petersburg location, the FY2026 budget was prepared in a manner that would support Petersburg to its fullest operation. Therefore funding that can be used in either Richmond or Petersburg was directed first to Petersburg's budget for FY2026. The combined budget for direct assistance and operations in Petersburg nets (\$226), as compared to \$1,956 in FY2025.
- The CACH area receives \$1,849,000 of grant revenue in the FY2026 budget as compared with \$1,508,000 in FY2025. Employee costs are comparable year to year. Direct and indirect allocations of internal charges for technology, staff development, and management were not charged in the prior budget because the allocations were not counted separately to each office. In the new time study and new allocations for the FY2026 budget allocation process, counts and time were appropriately allocated between Petersburg and Richmond operations. This inclusion added \$161,000 to the Petersburg budget.
- The Richmond area receives \$1,328,000 of grant revenue in the FY2026 budget as compared with \$1,508,000 in FY2025 and nets (\$182,000) as compared with (\$205,000) in the prior year. The move back to campus removes the rent expense from the budget for a portion of the year in exchange for an allocation of facilities occupancy charges on campus. In all, the direct and indirect allocated expenses for Richmond have increased approximately \$50,000. The budget is estimating savings in payroll and benefits, as well as direct assistance.
- Both budgets are stretched operationally to the minimum given the uncertainty surrounding the federal grant funds.
- \$2,414,000, 76%, of the revenue provided is in the form of public grants, up from 73% in the prior year as individual contributions and private granting sources continue to be cultivated in order to provide assistance, and also cover the operational costs not funded by restrictive public grants. As of FY2026, the 5-year grant from the Bezos Foundation has been fully spent.
- The last component of the HHS system is the Hollybrook office. The St. Joseph's Villa Housing Corp. leases office space in Seton House for the third-party property management agent's on-site property manager and service coordinator. The lease includes a 3% annual escalation; however, occupancy charges have outpaced 3% escalation. The net budgeted rental loss is (\$21,347) up from (\$16,109) in the prior year. Although unbudgeted, the change in management agent might allow for a re-negotiation of that leased space. The current lease has one more option period for FY2026.

Community Training and Support:

- The service system and result center for Community Training and Support was new to the budget in FY2024. In future years, the expectation was that the revenue impact of the community engagement would increase; however we found greater value to the Villa in deploying the skills of our trainer to roles needed inside the Villa services. Therefore 50% of the payroll previously allotted to community training is now allocated administratively to be used by clinical services across campus. As such, the revenue generated from outside trainings has been decreased in the FY2026 budget. In FY2026, the service is budgeted to net approximately (\$35,000).

Day Treatment Services (DTX):

- As has been true for a few years, DTX, as a system, has struggled to meet budgets, being primarily dependent on Medicaid rates. Overall for FY2026 the system is budgeted to return (\$86,540), a \$93,922 decrease from the prior year. However, these are vital services to the community and to our school, and ones that the Villa continues to see a need to provide and to subsidize. There is some anticipation that these services will benefit from referrals from the Crisis Receiving Center, and also as a step-down from the Crisis Stabilization Unit, but no specific increases have been budgeted for FY2026, as the CRC is still gaining its own traction.
- All of this system's Medicaid funding will sunset as of June 30, 2026, but will be replaced by similar funding that is budget neutral, the specifics of which are yet to be defined and communicated.
- The largest change in this system for the FY2026 budget is the elimination of the adult Mental Health Skill Building (MHSB) program. Current clients with current authorizations will be completed, but no new authorizations will be requested. The partnership with the Villa's Housing and Homeless Services system, however, will continue, and we will not let our licensing for the program lapse. Although we no longer have an entire program budget for MHSB in FY2026, we do still have the capability to provide those services, as needed, to our HHS clients.
- The School Based Day Treatment program continues to be provided exclusively for campus-based students attending our private day school. It is currently budgeting a loss of approximately (\$47,000) for FY2026, \$25,000 behind FY2025. This program depends on the enrollment at the school, and also cannot serve students that are already receiving the support of a 1:1 counselor provided through their Individual Education Plan. School Based Day Treatment was conservatively budgeted starting with 5 students and moving to 8 students through the year similar to FY2025. It is currently serving 4 students.
- Intensive In-Home (IIH) is a program supported almost equally through Medicaid funding and through a contract with the VA Dept. of Juvenile Justice. IIH is budgeting a conservative enrollment, consistent with the current enrollment. The budget for FY2026 reflects 11 and 14 clients, respectively, increasing to 16 and 18 by year-end. The treatment plans for each client can range from 60-90 days therefore the population mix is continually rotating through the year. Each client is budgeted for an average of 7.5 units per week. Hours authorized are also typically reduced upon re-authorization. The rate per unit is unchanged for FY2026.
- The IIH budget also contains revenue generated from Community Crisis Stabilization, which is provided in clients' homes during periods of time when a client is in crisis, and assists with diversion from hospitalization. These rates are tied to the licensed status of the staff providing the service. This service is structured for 2 clients per month with the appropriate blend of counselor time and licensed supervision, at their respective rates.
- The elimination of the MHSB program has provided an opportunity to reorganize the management of the community-based programs; however also has a financial impact to other programs, as allocations of staff and other resources previously distributed to MHSB have shifted in FY2026.

Developmental Disability Services (DDS):

- Developmental Disability Services is made up of Day Support and Outpatient Behavioral Therapy.
- The Day Support FY2026 budget is made up solely of Adult Day Support. The after-school and summer group children's program enrollment had remained very small after the pandemic closure, with difficult reimbursement rates, so it was decided to close the children's program due to lack of community interest or need.
- The adult population has been consistent all year and the budget for adults for the FY2026 year has been set at 40, increasing to 41 by year end, similar to FY2025. The attendance factor is unchanged at 85%.
- The Day Support program receives a rate from Medicaid based on each service tier level. The Villa population spans all 4 tier levels therefore a weighted average rate is calculated for budget purposes based on the current enrollment at each tier. The weighted budget rate for FY2026 calculated to be \$17.50 for adults, up from \$17.25 in FY2025.
- The Day Support program for FY2026 is designated to receive support from the golf tournament in the budgeted amount of \$31,000, up from \$21,000 in FY2025.
- For the FY2026 budget, the Day Support program made the decision to no longer offer meals to program participants. This is in line with comparable programs in the area. The FY2025 expense for culinary services was approximately \$143,000. This change in policy has been communicated to guardians well in advance of the new fiscal year implementation. The Villa will not allow clients to go hungry, of course, so we will monitor that the participants are being sent with an adequate meal for lunch and communicate to guardians if necessary.
- Outpatient Behavioral Therapy (OBT), after restructuring the staffing model last year to share counselor staff with Sarah Dooley Center for Autism, is slightly behind budget for FY2025 employee costs and is continuing to work out kinks in the process of managing the staff hours allocated to each program. However the sharing has allowed staff to be utilized in such a way that maximizes the billable hours for OBT and also fills counselor needs during the school day.
- The billable rate in OBT is tied to the licensing of the staff member providing the service. A licensed clinician can bill at a substantially higher rate than an unlicensed counselor. The Villa has had recent success in hiring and retaining needed licensed staff, some that are working remotely, and has been able to reduce the FY2025 budget and actual deficit in recent months since full staffing.
- Therefore, FY2026, is budgeted for 22 to 25 clients, up from 19 to 20 clients in FY2025 budget.
- Employee costs are projected to expend 63% of generated fee revenue as compared with 56% in the prior year. Part of this increase is a reallocation of support and management staff from MHSB. As a percentage of total expenses, employee costs are 60%, up from 55%.

Behavioral Health System:

- In January 2022, the Richmond Behavioral Health Authority (RBHA) MOU for Crisis Stabilization Unit (CSU) funding was renewed for a one-year period, with 4 annual renewals. The annual funding from RBHA is \$727,816, unchanged for FY2026. In addition, the MOU also continues to reimburse up to \$101,000 for an RN in the unit. The RBHA MOU will expire January 2027. Historically, upon expiration, RBHA has renewed the MOU with the Villa and has not gone out for a competitive re-bid of the program.
- The RBHA grant is awarded assuming CSU will also cover its costs by receiving Medicaid benefits for clients; however, CSU has no control over the number of clients served who will qualify for Medicaid reimbursement. An estimate of Medicaid clients is budgeted from prior history and was decreased from 10 clients per month to 6. The Medicaid rate has not changed. The length of stay budgeted was decreased from 9 days to 8 days for FY2026.

- Although Medicaid revenue is conservatively budgeted \$447,000 less than FY2025, total revenue in the FY2026 budget is increased by approximately \$256,000.
- During FY2025, CSU was the recipient of additional funding from Dept. of Behavioral Health and Disability Services (DBHDS) through RBHA. This funding is ongoing to pay for specific required positions, and to cover some operational deficits that might exist due to shortages in estimated Medicaid dollars.
- CSU is also the beneficiary of private philanthropy. \$92,000 was included in the FY2026 budget for private grants.
- The Crisis Receiving Center (CRC) was operational beginning April 4, 2024. The Memo of Understanding with the County of Henrico to provide these services through their DBHDS funding, allows for renewal of operations with the Villa for 4 annual periods, the continued funding for which will be addressed annually. The funding requested from Henrico was outstanding upon approval of the FY2025 budget. However, the county was able to follow through shortly thereafter with a commitment of \$1,516,000.
- For the FY2026 budget year, the county funding level remains unchanged. Like CSU, this service is also Medicaid funded to those clients that have Medicaid, which are difficult to predict.
- The CRC is just one year into operations and is attempting to boost outreach with increased targeted marketing and education. Several news outlets recently spotlighted the CRC. The CRC currently intakes new clients only from 8am to 8pm but can be staffed 24/7 if clients remain on site through the overnight hours.
- The CRC FY2026 budget has been prepared assuming operations continue as is. The current level of utilization can be supported by the Henrico funding with minimal anticipation of Medicaid or commercial insurance reimbursements. 85% of Henrico funding will be used to pay employee costs.
- The Villa is still committed and is making some headway with a few insurers in the private commercial insurance space in order to bill commercial insurance policies for psychotherapy evaluations and sessions, and for crisis services; therefore we have a small amount of revenue, \$12,000 included in the CSU budget for FY2026, and \$40,000 in the CRC budget for FY2026 as we continue through this process for crisis services.

Client and Agency Support Services:

- Client and Agency support services are budgets of primarily payroll that support our other services. The increases in these budgets are primarily employee costs and other inflationary impacts related to supplies and campus contracts.
Some additional items of note are as follows:
- Culinary, Recreation, and Facilities, Technology, Staff Development and Integrated Services, are budgeted to provide no income to the Villa, as these budgets are allocated entirely to the individual services based upon usage. These budgeted allocations are trued-up monthly with actual v. budgeted dollars.
- The Culinary chargeback to services is based on the number of meals served per month and is approximately \$66,000 less than the FY2025 budget, due primarily to decreases in client food needs related to Day Support, and staffing. The food has been very well-received by the community under current management, thereby actually feeding our students and eliminating waste, and making for an enjoyable experience.
- The Recreation chargeback is based on gym usage and is approximately \$2,000 less than the FY2025 budget, due to an increase in rental rates that offset the allocated recreation expenses.
- The Facilities chargeback to services is an allocation based on the campus square footage of useable space. Some services saw changes in their allocations based on their usage and moves around campus in FY2026. The total facilities chargeback has increased approximately \$146,000 from FY2025 to FY2026 due to higher employee and contracted vendor costs.

- Staff Development allocation is done based on the number of new hires in each program for the year prior. The Staff Development budget increased by approximately \$30,000 from the FY2025 budget due to employee costs.
- Technology is allocated based on the number of devices maintained. The Technology budget chargeback increased \$42,000 for the current year due to increased equipment and licensing costs.
- Integrated Services is allocated based upon estimated needs related to compliance, admissions, licensing, and clinical supervision. The increase in the Integrated Services budget chargeback for the current year is approximately \$38,000 due primarily to employee costs. As mentioned above, 50% of the community training employee was allocated here to assist with clinical needs across campus.
- The remaining management and fundraising budgets are also charged back to each program as estimated by a time study, most recently completed January 2025. An update to the time study will be conducted every 3rd year unless significant programmatic changes require it more frequently. The infrastructure chargeback is based on historical capital needs data. The management, fundraising, and infrastructure chargebacks are noted as Indirect Costs to each result center.
- The Human Resources budget shows an increase of approximately \$56,000 due in part to employee costs, and in part to advertising costs for new hires.
- Infrastructure is the same as the prior year budget, to include \$150,000 of potential capital needs and a \$50,000 potential capital gift. The entire budget for Infrastructure was used in the FY2025 year.
- The CEO and Boards budget for FY2026 is up \$20,000 from the prior year, primarily due to employee costs/benefits. This result center contains the deferred compensation arrangement for both the CEO and the cash basis payments to the former CEO.
- The Development budget for FY2026 is approximately \$131,000 higher than FY2025, due primarily to the addition of \$100,000 in Neighborhood Assistance Act Tax Credits from the Department of Education, the purpose of which is to encourage donations to charitable organizations, that have been allocated to the Villa to provide to donors in exchange for a gift.
- The Finance budget includes an increase this year of approximately \$171,000 due primarily to employee costs, and software and professional fees increases for check writing, budgeting, audit, and payroll.
- Marketing and Communications budget for FY2026 is approximately \$29,000 less than the prior year with savings in print and publications and the website design/build which was undertaken in FY2025.
- The Administration budget includes dollars set aside for special projects identified by both the strategic plan and risk management plan as well as additional funding for projects and needs to be later identified, and a contingency fund for other programmatic unknowns. The total of the dollars set aside is approximately \$787,000, \$351,000 less than FY2025, and given the large unknowns with the Flagler government funding, it was determined that continuing to hold a larger than normal allocation for programmatic situations, as well as capital needs, is necessary. Appropriate needs for the funds will be determined as the year progresses, and will likely be used to cover other budget deficits.
- Unoccupied space in the FY2026 budget shows a \$127,000 increase from FY2025 due to the moves on campus related to the closing of services, requiring shifts in square footage allocated to programs. Cottage 5 renovation will be completed in early fall and the building occupancy will be programmatically allocated beginning September 2025. Cottage 6 remains empty, Cottage 3 will be empty with the creation of the new school, 40% of Cottage 8 will be empty with the closure of Day Support for kids, and a piece of Cottage 7 will be empty when community based services move to the newly renovated Cottage 5. Also the chapel is considered unoccupied as well. Unoccupied space is allocated occupancy charges at only 50% of its square footage given that the full facilities team and utilities aren't in use if unoccupied. The Villa has been in discussions with Henrico County regarding rental of unoccupied cottages on campus by some of the county departments that have shared alignment with our mission or clients.

Housing Corporation:

- Landmark Property Services, the property management company for the Hollybrook Apartments, presented the budget for FY2026 to the Housing Corporation Board Chairman at the May 19th meeting. The Board Chair was appointed at the March meeting to review and approve the budget on behalf of the board. The budget for FY2026 was approved.

This distribution is being made to give all Trustees an opportunity to review the Summary Budget for FY2026, and to give each of you the opportunity to have your questions answered prior to your vote to accept the recommendation of the Finance Committee to approve the FY2026 budget. If desired, the individual cost center details are available to all Trustees upon request. Please contact me either by phone at 804-553-3356 or via email (shinton@sjymail.net) if you would like to receive this detail. Additionally, please feel free to contact me at any time with any questions or concerns regarding the current year operations or the proposed FY2026 budget.

Regards,

Suzanne K. Hinton

Attachment