NUECES COUNTY HOSPITAL DISTRICT

Briefing Memo

SUBJECT: Fiscal Year 2027 Annual Budget

BUDGET PERIOD: October 1, 2026 - September 30, 2027

Purpose

To provide the Board of Managers with a general overview of the proposed Fiscal Year 2027 Annual Budget and its principal financial characteristics, including anticipated revenues and expenditures, use of existing fund balances, major healthcare financing activities, and projected year-end financial position.

Overall Budget

The proposed Fiscal Year 2027 Annual Budget establishes the District's financial plan for its operations, healthcare programs, intergovernmental financing activities, and special revenue funds for the fiscal year beginning October 1, 2026.

Across all funds, the budget anticipates approximately $107.6 million in revenues and $137.6 million in expenditures. Because planned expenditures exceed current-year revenues, the budget provides for the use of approximately $30 million of accumulated fund balances during the fiscal year.

The planned use of fund balance is significant but occurs within the context of substantial accumulated District reserves.

General Fund

The General Fund continues to account for most of the District's financial activity. Fiscal Year 2027 General Fund revenues are budgeted at approximately $105.7 million, while expenditures are budgeted at approximately $136.7 million.

After consideration of a $750,000 operating transfer from the Tobacco Fund, the General Fund is budgeted to use approximately $30.3 million of fund balance during FY 2027.

The FY 2027 budget reflects lower revenues and expenditures than the FY 2026 budget. The most significant revenue change is a reduction in Spohn Corporate Membership Revenue, while lower anticipated intergovernmental transfers account for much of the reduction in expenditures.

Revenues

The District's General Fund continues to rely principally upon Spohn Corporate Membership Revenue and property tax revenue. Together, these sources provide the substantial majority of General Fund revenue. Investment earnings and other revenues provide additional, but considerably smaller, amounts.

The proposed budget assumes approximately $63.8 million in Spohn Corporate Membership Revenue and approximately $40.4 million in property tax revenue.

The FY 2027 budget is based upon a property tax rate of $0.088501 per $100 of taxable valuation, identified in the budget as the No-New-Revenue Rate.

Expenditures and Healthcare Financing

The District's expenditure structure continues to be driven primarily by healthcare financing activities. Intergovernmental transfers represent the largest expenditure category and are budgeted at approximately $109.4 million for FY 2027.

Other significant expenditures include approximately $14.9 million for County healthcare services and approximately $5.7 million for Graduate Medical Education support, together with the District's administrative and operating expenses.

This expenditure structure reflects the District's continuing role in supporting local healthcare services while participating in state and federal healthcare financing programs.

County Healthcare Support

The FY 2027 budget continues substantial financial support for healthcare services provided to Nueces County residents. The approximately $14.9 million County healthcare allocation includes mental and behavioral healthcare, public health activities, emergency medical services, juvenile detention and County jail healthcare, substance-use-related services, diabetes programming, air ambulance support, and public health grants.

The budget therefore maintains a broad range of existing healthcare commitments while adjusting individual allocations to reflect anticipated Fiscal Year 2027 needs.

Fund Balances and Reserves

The District enters Fiscal Year 2027 with substantial accumulated fund balances. Combined beginning fund balances are approximately $166.4 million.

After anticipated FY 2027 revenues, expenditures, and transfers, combined fund balances are projected at approximately $136.5 million at year-end, or approximately $122.0 million after committed funds.

Within the General Fund, the budget projects an ending balance of approximately $67.1 million, or approximately $52.7 million after committed funds. Accordingly, while the budget intentionally draws upon accumulated resources, substantial reserves are projected to remain at fiscal year-end.

Special Revenue Funds

The FY 2027 budget also provides for continued activity within the District's Tobacco, Opioid Settlement, and Indigent Care Funds. These funds support their respective designated purposes and contribute to the District's overall financial position.

The budget includes a $750,000 transfer from the Tobacco Fund to the General Fund, planned expenditures from the Opioid Settlement Fund, and continued investment earnings within the Indigent Care Fund.

Budget Administration

The proposed budget provides the financial authority necessary for the District to carry out its operations, programs, healthcare financing responsibilities, and other authorized activities during Fiscal Year 2027.

Under the accompanying budget resolution, the Administrator would be authorized to control, manage, and expend appropriated funds and take actions necessary to implement and administer the budget, consistent with applicable state law, Board policy, and District financial policies.

Overall Assessment

The proposed Fiscal Year 2027 Annual Budget reflects a planned transition to a lower-revenue environment while continuing the District's major healthcare financing and service commitments.

Although expenditures are budgeted to exceed current-year revenues, the resulting shortfall is supported through the planned use of accumulated fund balances. The District is nevertheless projected to retain substantial General Fund and overall reserves at the end of Fiscal Year 2027.

The budget therefore represents a planned use of existing financial capacity to support Fiscal Year 2027 activities, rather than a balanced current-revenue/current-expenditure financial plan. Actual revenue performance, IGT requirements, and expenditure activity should be monitored throughout the fiscal year to determine how closely actual results correspond with these budget assumptions.

Board Consideration

The Board is being asked to consider approval of the Fiscal Year 2027 Annual Budget. Following Board approval, the Budget would be submitted to the Nueces County Commissioners Court for final approval, and the Administrator would be authorized to administer the Budget in accordance with the accompanying resolution and applicable requirements.