



**Agenda Item 11**  
**September 7, 2016**

**DATE:** August 26, 2016

**TO:** Children and Families Commission of Orange County

**FROM:** Kimberly Goll, Executive Director *Kimberly Goll*

**ACTION:** Receive the financial year-end revenue report and approve directing the excess budget revenue to catalytic investments

---

**SUMMARY:**

The Children and Families Commission of Orange County developed the Long-Term Financial Plan as a tool to monitor the decline of Proposition 10 tobacco tax funding in relation to program sustainability. This item provides a financial update on the year-end revenue, revenue projects for the next fiscal year and the impact of the new tobacco legislation.

**DISCUSSION:**

The Long-Term Financial Plan has been used by the Commission since 2000 as a tool to mitigate the projected decline of Proposition 10 revenues, while providing sustainable program funding. While no specific funding decisions or allocations are included in the Long-Term Financial Plan, tobacco tax revenue and legislative changes are continually monitored as the Plan is updated and used to forecast revenue trends and program funding over a 10-year period. The impact of recent revenue receipts and the new tobacco legislation have been evaluated in preparation for the update of the Long-Term Financial Plan that will be presented in December 2016.

Final year-end tobacco tax revenue was recently posted by First 5 California. The Commission experienced a minor .25 percent decline in revenue from the prior year. The Fiscal Year 2015/16 Budget assumed a 3.5 percent decline resulting in revenues over budget by approximately \$800,000.

In July 2016 the Commission received a report on the impact of the new tobacco legislation. The State Board of Equalization and the Department of Finance have both issued updated revenue projections incorporating the impact of the new legislation. The Commission's Finance Manager, Michael Garcell will present year-end revenue results and revenue projections (Attachment 1).

Consistent with past Commission practice, approval is requested to reserve the excess Fiscal Year 2015/16 tobacco tax revenues above budget (\$800,000) along with an estimated one-time payment of \$180,000 from the State Board of Equalization's Cigarette and Tobacco Tax Compliance Fund for catalytic programs.

**STRATEGIC PLAN & FISCAL SUMMARY:**

The reports and recommended actions presented in this staff report have been reviewed in relation to the Commission's Strategic Plan and are consistent with applicable goals and outcomes.

**PRIOR COMMISSION ACTIONS:**

- December 2015 – Received Presentation on the Long-Term Financial Plan Update
- July 2016 – Received report on the impact of the new tobacco legislation and the State Budget; and received presentation from legislative consultant

**RECOMMENDED ACTIONS:**

1. Receive presentation on the financial year-end revenue results and revenue projections.
2. Approve direction of the Fiscal Year 2015/16 Proposition 10 revenue above budget (\$800,000) and the additional \$180,000 one-time payment from the Board of Equalization into the reserve for catalytic investments.

**ATTACHMENT:**

1. Financial Update Presentation

**Contact:** Michael Garcell

# Financial Update



Children & Families Commission of Orange County

*September 7, 2016*



- Fiscal Year 2015/16 Actual Tobacco Tax Revenue:
  - Final revenue ended \$800,000 above budget (-.25% decline).
  - An additional \$180,000 is expected to be received from the Board of Equalization Cigarette and Tobacco Tax Compliance reserve distribution.
  - Consistent with Commission past practice, allocating the additional revenue to the Catalytic fund is recommended.

	FY 2008/09 Actual	FY 2009/10 Actual	FY 2010/11 Actual	FY 2011/12 Actual	FY 2012/13 Actual	FY 2013/14 Actual	FY 2014/15 Actual	FY 2015/16 Actual
Tobacco Tax Revenue (in millions)	\$33.4	\$29.7	\$28.8	\$29.0	\$27.0	\$26.4	\$26.0	\$25.9
% Change from Prior Year	-6.00%	-11.05%	-3.02%	+0.62%	-6.77%	-2.33%	-1.71%	-0.25%

# Projected Revenue



- Beginning July 1, 2016, tobacco sales tax revenue will be impacted by recent legislation.
  - ABx2 11 will increase revenues due to savings in the Board of Equalization administration fees.
  - Revenue will decline due to the raising of the smoking age to 21, SBx2 5.
  - Small one-time payment from Board of Equalization of an estimated \$180,000 will be received in Fiscal Year 2016/17.
  - Financial plan assumes 3.5% annual decline in tobacco tax revenue and has always maintained conservative estimates.

Revenue Projections (in millions)	FY 2016/17	FY 2017/18	FY 2018/19
<b>Commission Financial Plan</b>	<b>\$24.2</b>	<b>\$23.3</b>	<b>\$22.5</b>
First 5 CA Dept. of Finance May Revise	\$25.8 (+1.6)	\$24.7 (+1.4)	\$23.9 (+1.4)
Board of Equalization Estimate	\$24.4 (+.2)	\$23.3 (-)	\$22.5 (-)



- Financial statements will be presented in October 2016
  - Fiscal Year 2015/16 Financial Statements
  - Fiscal Year 2016/17 Amended Budget
- Updated Long-Term Financial Plan presented in December 2016
- Funding renewals for programs beginning July 1, 2017 will be considered in February 2017.
  - Fiscal Year 2017/18 program funding level of \$19.6 was approved in December 2015.
  - Future-year funding levels provide a baseline for budget and program renewal planning.
  - Any allocation to catalytic would come from baseline program renewal funding.