



Board of Equalization Adjustments

Board of Equalization (BOE) adjustments to total Proposition 10 tax revenues collected are deducted before any disbursement to First 5 California accounts. The two primary deductions include BOE tax collection, enforcement and administrative costs and Proposition 99 backfill amounts. A summary of these costs over the past decade is listed below:

	BOE ADMINISTRATION	BACKFILL
FY 1998-99	\$570,000	
FY 1999-00	\$876,000	
FY 2000-01	\$886,000	FY 2000-01 \$24,000,000
FY 2001-02	\$959,416	FY 2001-02 \$25,900,000
FY 2002-03	\$1,974,530	FY 2002-03 \$35,500,000
FY 2003-04	\$2,301,371	FY 2003-04 \$21,700,000
FY 2004-05	\$4,642,000	FY 2004-05 \$21,300,000
FY 2005-06	\$4,958,000	FY 2005-06 \$20,300,000
FY 2006-07	\$7,388,000	FY 2006-07 \$18,500,000
FY 2007-08	\$11,162,000	FY 2007-08 \$19,600,000
FY 2008-09	\$11,721,382	FY 2008-09 \$21,200,000
FY 2009-10	\$12,693,653	FY 2009-10 \$21,800,000
FY 2010-11	\$14,229,862	FY 2010-11 \$20,200,000
FY 2011-12	\$15,711,540	FY 2011-12 \$16,500,000

DATE: October 24, 2012

TO: Children and Families Commission of Orange County

FROM: Christina Altmayer, Interim Executive Director



SUBJECT: Long-Term Financial Plan and Budget Updates

SUMMARY:

This report provides an overview of the Fiscal Year 2011/12 year-end financials, the related implications for the Long-Term Financial Plan, and the amended Fiscal Year 2012/13 Budget. This report is provided as an update for the Commission on the funding outlook and as information to guide funding assumptions and planning for Fiscal Year 2013/14 and future. No formal Commission action is requested at this time.

Comprehensive Annual Financial Report and Audit

The Commission received the Comprehensive Annual Financial Report for FY 2011/12 and year-end audit at the October meeting. The attached presentation addresses:

- FY 2011/12 Year-end Financial Results
- Updated Long Term Financial Plan
- Proposed Amendments to FY 2012/13 Adopted Budget
- Options for Future Funding and Recommended Next Steps

Fiscal Year 2011/12 Financial Results

As reported in the Commission's Comprehensive Annual Report, ending fund balance for FY 2011/12 was \$78.72 million. The \$55 million of Catalytic Round I and II funding is committed against this balance.

Actual Proposition 10 revenue for FY 2011/12 was \$28.99 million or \$1.6 million higher than previously forecasted. This increase is due in part to a decrease in the Proposition 99 backfill calculation, which decreased for the first time in Proposition 10 history. The net Proposition 10 revenue reflects two adjustments which are made by the Board of Equalization (BOE) before funds are deposited into First 5 California accounts for disbursement to county commissions: Proposition 99 backfill; and BOE administrative costs. Total Proposition 99 backfill for FY 2011/12 was \$16.5 million, an 18.3 percent decline from the prior year. Board of Equalization adjustments for tax collection, enforcement and administrative costs increased 10.4 percent to \$15.7 million.

Total expenses exceeded total revenue by \$2.63 million. Utilizing fund balance to cover deficiencies of expenses over revenues is consistent with the Long Term Financial Plan. Administrative costs of \$3.38 million were 6.9 percent under budget and 9 percent of the total operating budget, consistent with Commission policy. Reductions to Commission staffing levels

Commissioners

Interim Executive Director

and other administrative costs were continued in FY 2011/12 to remain in compliance with Commission Administrative Cost Policy.

Fiscal Year 2012/13 Amended Budget

The FY 2012/13 Budget was approved by the Commission in April 2012. Staff analyzed current program allocations and encumbrances and has developed a proposed Amended Annual Operating Budget for FY 2012/13 to include both appropriations made by Commission action after the initial budget adoption in April and previously approved contracts recommended to be carried forward in the current year.

- Revenue – Due to higher than expected revenues and past experience, staff recommends increasing FY 2012/13 budgeted Tobacco Tax Revenue to \$27.97 million. Also included in the Amended Budget are increases in revenues for the federal ARRA (American Recovery and Reinvestment Act) Health Research grant, the federal AmeriCorps/VISTA (Volunteers in Service to America) program, First 5 California match for the CARES (Comprehensive Approaches to Raising Educational Standards) Plus program, the First 5 Child Signature Program, and Cal Optima reimbursements totaling \$700,000.
- Program Funding – Program funding has been increased from \$29.72 to \$32.02 million to account for carryover funding and programs offset by outside revenue sources. While the budget reflects a total increase, new appropriations and encumbrances are in line with the latest Long Term Financial Plan assumptions. Total carryover consists largely of three items; \$650,000 for Community Clinic one-time funding, \$500,000 for Pediatric Health Services, and \$800,000 for Homeless Shelter Project funding. New program funding for AmeriCorps VISTA and the First 5 Child Signature Program is included in the amended budget consistent with Commission action.
- Administrative Expenses – Over the past several years, Commission staff has significantly reduced administrative expenses. The FY 2012/13 amended administrative budget is \$3.21 million, which is 11.5 percent less than FY 2011/12 budget and represents a net decrease of \$53,000 from the initial FY 2012/13 adopted budget.
- Fund Balance – The recommended FY 2012/13 Amended Budget results in an estimated June 30, 2013 fund balance of \$17.95 net of Catalytic Round I or II commitments. Estimated remaining fund balance is in compliance with the Commission Fund Balance Policy requiring a minimum 25 percent fund balance of total operating budget.

Funding available for Commission investments

Potential new funding investments were presented on innovations in health prevention and education and access to vision services at the September Commission planning meeting. Commission staff updated the Long Term Financial Plan with FY 2011/12 year-end financial results and FY 2012/13 Amended Budget amounts to identify available funding. The attached presentation identifies potential funding resources to support the Commission's priorities identified in the September and December workshops and/or potential changes to the Commission's fund balance policy.

STRATEGIC PLAN & FISCAL SUMMARY:

The fiscal 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:

- September 2012 - Annual External Audit Process and the Preliminary Year-End Financial Results
- April 2012 – Approved Annual Operating Budget for FY 2012/13
- March 2012 – Fiscal Year 2012-13 Budget Assumptions

RECOMMENDED ACTIONS:

1. Receive presentation on the Long Term Financial Plan.
2. Receive mid-year budget report and adopt Resolution approving the Amended Annual Operating Budget for FY 2012/13.

ATTACHMENTS:

1. Presentation
2. FY 2012/13 Amended Budget

Contact: Michael Garcell

Strategic Financial Plan Update

November 7, 2012
Agenda Item No. 5



Children & Families
Commission of Orange County

Prop. 10 Tobacco Tax Revenue Forecasts

	FY 2011/12 Actual Per Audit	FY 2012/13 Amended Budget	FY 2013/14 Projection	FY 2014/15 Projection	FY 2015/16 Projection	FY 2016/17 Projection
Tobacco Tax Revenue (First 5 CA Projection)	\$28,988,350	\$27,971,800	\$25,208,440	\$24,198,406	\$23,137,575	\$22,212,072
Historical Trend Projection			\$26,992,787	\$25,913,076	\$24,876,552	\$23,881,490
% change from prior year	+.62%	-3.5%	-9.9%	-4.0%	-4.4%	-4.0%
			-3.5%	-4.0%	-4.0%	-4.0%

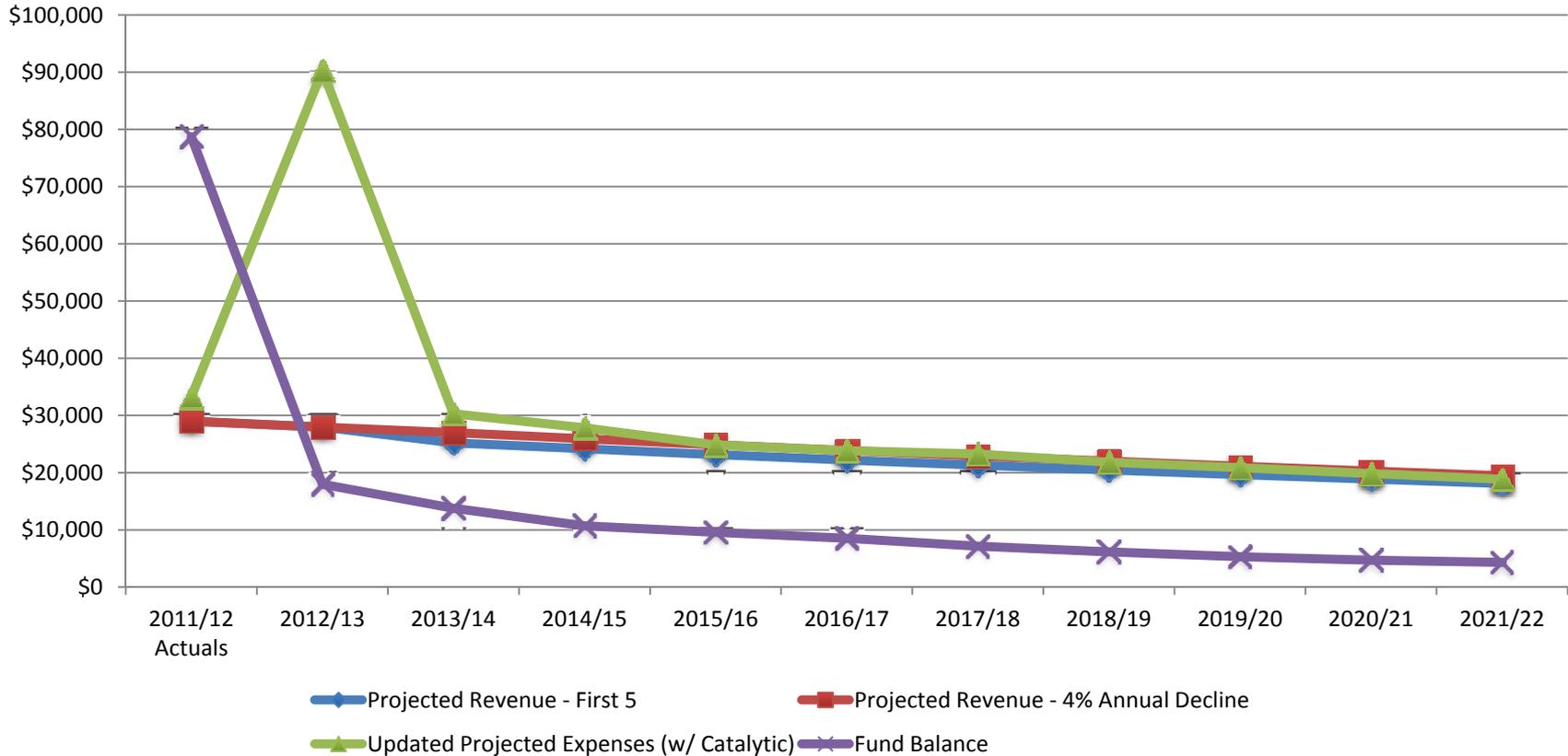
- Decline in Prop 99 Backfill amounts outpaced BOE Administrative costs increase in FY 2011/12.
- Current FY 2012/13 budget represents a 7.5% decline from prior year actual revenue.
- Staff recommends revising budget assumption to a 3.5% decline for FY 2012/13 based on prior year results. Budgeted revenue will increase from \$26.8 million to \$27.9 million. A net increase of \$1.1 million.
- First 5 California revenue projections have not been updated based FY 11/12 Actuals and are available through FY 2016. All remaining years assume a 4% decline consistent with the Long-Term Financial Plan.

Summary of FY 2011/12 Financial Results and FY 2012/13 Amended Budget

- Financial Results as of June 30, 2012
 - Ending Fund Balance of \$78.7 million
 - \$45.1 million – Committed Fund Balance for Catalytic Round I Funding
 - \$33.6 million – Assigned Fund Balance (including \$10 million Catalytic Round II)
 - \$28.99 million Tax Revenue was 5.9% over budget (\$1.6 million)
 - Consistent with the Long Term Financial Plan, \$2.63 million draw down of assigned fund balance
- The FY 2012/13 Amended Budget
 - Projected Ending Fund Balance for June 30, 2013 of \$17.95 million (net of committed Catalytic funding)
 - \$1.8 million increase to Budgeted Revenues
 - \$2.2 million carryover of contract amounts not expended in FY 2011/12

Updated Long Term Financial Plan

Based on June 30, 2012 Year End



Long Term Financial Plan assumes:

1. First 5 California revenue forecast and historical trend forecast (4% annual decline) presented for comparison
2. Catalytic Round I and II Funding of \$55 million
3. Administration limited to 10% annually
4. Fund balance maintained at 25% per Commission policy. May need to be revisited in FY 2019/20.

Funding Options

- As Commission considers future program investments, two potential funding options:
 - \$1 million one-time funding available to support priorities if directed by the Commission
 - Higher than anticipated revenue in FY 2011/12 and increased forecast for FY 2012/13; even with risk of lower revenues funding would be consistent with prior Commission direction
 - Maintains planned annual step down strategy presented at the November 2011 and March 2012 Commission meetings
 - Maintains compliance with minimum fund balance policy
 - Funding could also be used to increase reserve. Other Commissions have as high as a 50% reserve policy. Current Commission policy is 25%.
- \$500,000 available in FY 2012/13 Early Learning Budget to support priorities identified at the September and December planning workshops

Next Steps

- December: Early Learning Workshop to review potential expansion strategies and receive program updates
- January: Receive Proposals based on Commission Direction and Receive Further Direction
- February: Funding Actions and Long Term Financial Plan Update incorporating Commission action
- March: FY 2013/14 Budget assumptions will be presented to the Commission

**Children and Families Commission of Orange County
FY 12/13 Amended Operating Budget**

	FY 12/13 Adopted Budget	Adjustments	Carryover	FY 12/13 Amended Budget
<u>FINANCING</u>				
Prop 10 Tax Allocations	\$ 26,809,800	1,162,000		27,971,800
Other Revenues				
Investment Earnings	\$ 150,000			150,000
MAA Revenue	\$ 220,000			220,000
ARRA Health Research Grant	\$ 235,195	1,861		237,056
CARES Plus Program Revenue	\$ 300,000	20,000		320,000
First 5 Child Signature Program		105,000		105,000
AmeriCorps VISTA Program Revenue		423,070		423,070
AmeriCorps VISTA Program Partner Revenue		90,000		90,000
Cal Optima Reimbursement		53,000		53,000
	\$ 27,714,995	\$ 1,854,931	\$ -	\$ 29,569,926
<u>PROGRAM SERVICES</u>				
Healthy Children				
Bridges: Maternal Child Health Network	\$ 6,795,000	-	86,000	6,881,000
Health Access and Education	\$ 550,000	53,000	-	603,000
Community Clinics	\$ 2,650,000	-	650,000	3,300,000
Fitness/Nutrition	\$ 12,500	(12,500)	93,394	93,394
Children's Dental	\$ -	-	-	-
Pediatric Health Services	\$ 4,100,000	-	500,000	4,600,000
School Readiness Nursing	\$ 3,020,000	-	-	3,020,000
Healthy Children subtotal	\$ 17,127,500	\$ 40,500	\$ 1,329,394	\$ 18,497,394
Children's Dental - Round 1 Catalytic Funding	\$ 20,000,000			\$ 20,000,000
Pediatric Health Services - Round 1 Catalytic Funding	\$ 7,000,000			\$ 7,000,000
Partnership for Children's Health - Round 2 Catalytic		175,000		175,000
Fitness Nutrition - Round 2 Catalytic Funding		25,000		25,000
Healthy Children Total	\$ 44,127,500	\$ 240,500	\$ 1,329,394	\$ 45,497,394
Strong Families				
Family Support Services	\$ 655,000	-	-	655,000
Homeless Prevention	\$ 2,595,500	(431,000)	800,000	2,964,500
Strong Families subtotal	\$ 3,250,500	\$ (431,000)	\$ 800,000	\$ 3,619,500
Family Support Services - Round 1 Catalytic Funding	\$ 5,500,000			5,500,000
Homeless Prevention - Round 1 Catalytic Funding	\$ 7,000,000			7,000,000
Strong Families Total	\$ 15,750,500	\$ (431,000)	\$ 800,000	\$ 16,119,500
Early Learning				
Early Learning Specialists	\$ 2,485,625			2,485,625
School District Programs	\$ 2,000,000			2,000,000
CARES Plus Program	\$ 300,000	10,000		310,000
First 5 California Child Signature Program	\$ -	105,000	-	105,000
Community Based Early Learning Programs	\$ 1,930,400	10,000		1,940,400
Early Learning subtotal	\$ 6,716,025	\$ 125,000	\$ -	\$ 6,841,025
Early Literacy & Math - Round 1 Catalytic Funding	\$ 5,000,000			5,000,000
Early Learning Total	\$ 11,716,025	\$ 125,000	\$ -	\$ 11,841,025

PROGRAM SERVICES continued

Capacity Building

AmeriCorps/ VISTA	\$ 1,290,000	410,000	-	1,700,000
Performance Outcomes Management System	\$ 881,695	82,000	-	963,695
Technical Assistance	\$ 80,000	(80,000)	-	-
Capacity Building Grants & Matching Funds	\$ 250,000	64,000	62,660	376,660
Capacity Building Support & Fund Development	\$ 125,000			125,000
Capacity Building subtotal	\$ 2,626,695	\$ 476,000	\$ 62,660	\$ 3,165,355

AmeriCorps/ VISTA - Round 1 Catalytic Funding	\$ 500,000			\$ 500,000
Capacity Building - Round 2 Catalytic		\$ 3,500,000		\$ 3,500,000
Technical Assistance - Round 2 Catalytic		\$ 30,000		\$ 30,000

Capacity Building Total	\$ 3,126,695	\$ 4,006,000	\$ 62,660	\$ 7,195,355
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Program Consultants

Incorporated in program budgets

Total Program	\$ 29,720,720	\$ 105,500	\$ 2,192,054	\$ 32,018,274
Total Round 1 Catalytic Funding	\$ 45,000,000	\$ -	\$ -	\$ 45,000,000
Total Round 2 Catalytic Funding	\$ -	\$ 3,730,000	\$ -	\$ 3,730,000

Administrative Functions

Commission Staffing	\$ 1,825,000	(53,000)	-	1,772,000
Strategic Communications	\$ 205,000	-	-	205,000
Professional and Technical Services	\$ 811,512	-	-	811,512
Office, Training & Operating Costs	\$ 424,396	-	-	424,396
	\$ 3,265,908	\$ (53,000)	\$ -	\$ 3,212,908

Total Annual Operating Budget	\$ 32,986,628	\$ 52,500	\$ 2,192,054	\$ 35,231,182
Total Round 1 Catalytic Funding	\$ 45,000,000	\$ -	\$ -	\$ 45,000,000
Total Round 2 Catalytic Funding	\$ -	\$ 3,730,000	\$ -	\$ 3,730,000



Supplemental Transmittal
November 7, 2012 Meeting

DATE: November 5, 2012

TO: Children and Families Commission of Orange County

FROM: Christina Altmayer, Interim Executive Director 

SUBJECT: Amended Annual Operating Budget for FY 2012/13 Resolution and Homeless Prevention Presentation

This supplemental transmittal includes additional items for the following agenda items:

Agenda Item 5 - Long-Term Financial Plan and Budget Updates

The resolution to approve the amended Fiscal year 2012/13 annual operating budget is added as Attachment 3 to the agenda item.

Agenda Item 7 – Report on Homeless Children and Implementing Actions

The slides titled “Commission Investments Targeting Homeless Children” will be presented as part of the agenda item.

cc: Commission Members
Commission Counsel

Commissioners

Sandra Barry, Chair
Kimberly Chavalas Cripe, Vice Chair
Katherine Ahn, D.D.S.

Bill Campbell
Hugh Hewitt
Maria E. Minon, M.D.

Mark Refowitz
Michael L. Riley, Ph.D.
Sandra Pierce

Interim Executive Director

Christina Altmayer

CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY

RESOLUTION NO. ___-12-C&FC

November 7, 2012

A RESOLUTION OF THE CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY ADOPTING THE AMENDED FISCAL YEAR 2012-13 OPERATING BUDGET

WHEREAS, at its meeting of April 4, 2012, the Commission conducted a public hearing and reviewed and adopted the following documents prepared and recommended by staff and identified in the staff report for the April 4, 2012 Commission meeting: The Strategic Plan, and the Annual Operating Budget for the Fiscal Year 2012-13, and the Business Plan for Fiscal Year 2012-13 including the Administrative Budget; and

WHEREAS, at its meeting of November 7, 2012 the Commission reviewed and adopted an Amended Annual Operating Budget for the Fiscal Year 2012-13 prepared and recommended by staff and identified in the staff report for the November 7, 2012 Commission meeting as Attachment 2.

NOW, THEREFORE BE IT RESOLVED BY THE COMMISSIONERS OF THE CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY AS FOLLOWS:

Section 1 The Commission finds and determines the foregoing Recitals are true and correct and are a substantive part of this Resolution.

Section 2 The Commission hereby adopts the Amended Annual Operating Budget for Fiscal Year 2012-13.

Section 3 Notwithstanding the approval of the amended budget, no expenditures from the line item categories for grant funding for Program Services (or any subcategory within such categories) is authorized or may be approved except by subsequent action of the Board of Commissioners; no category is required to be funded at any particular level; no grant funding decisions for individual applicants or types of applicant will be made except in connection with specific grant processes, and no ceiling or floor for such categories is established by this budget.

Section 4 Approval by the Board of Commissioners is required to increase or decrease the existing total amount of budgeted appropriations, revenues, and/or reserves as adopted by the Board of Commissioners. The Interim Executive Director, or designee, is authorized to transfer existing budgeted appropriations mid-fiscal year between existing budget categories and accounts in order to pay for required operating expenses. In accordance with the Commission's Budgetary Control policy, the Commission renews its delegation of authority to approve budgetary transfers to the Interim Executive Director for Fiscal Year 2012-13.

Section 5 The Clerk of the Commission shall append to this Resolution a copy of the Amended Annual Operating Budget for Fiscal Year 2012-13, identifying it as Exhibit A which shall correspond to Attachment 2 of the November 7, 2012 staff report. By this reference such exhibit is incorporated as though fully set forth herein.

Section 6 **Severability.** If any section, subsection, subdivision, paragraph, sentence, clause or phrase in this Resolution or any part thereof is for any reason held to be unconstitutional or invalid or ineffective by any court of competent jurisdiction, such decision shall not affect the validity or effectiveness of the remaining portions of this resolution or any part thereof. The Commission Board hereby declares that it would have passed each section, subsection, subdivision, paragraph, sentence, clause or phrase thereof irrespective of the fact that any one (1) or more subsections, subdivisions, paragraphs, sentences, clauses or phrases be declared unconstitutional, or invalid, or ineffective.

Section 7 The Clerk of the Commission shall certify to the adoption of this Resolution.

The foregoing resolution was passed and adopted by the following vote of the Children and Families Commission of Orange County on November 7, 2012 to wit:

AYES: Commissioners: _____

NOES: Commissioner(s): _____

EXCUSED: Commissioner(s): _____

ABSTAINED: Commissioner(s) _____

CHAIR

STATE OF CALIFORNIA)
)
COUNTY OF ORANGE)

I, DARLENE J. BLOOM, Clerk of the Commission of Orange County, California, hereby certify that a copy of this document has been delivered to the Chair of the Commission and that the above and foregoing Resolution was duly and regularly adopted by the Children and Families Commission of Orange County.

IN WITNESS WHEREOF, I have hereto set my hand and seal.

DARLENE J. BLOOM
Clerk of the Commission, Children and Families Commission of
Orange County, County of Orange, State of California

Resolution No. ____ -12-C&FC

Agenda Date: November 7, 2012

Item No. ____



I certify that the foregoing is a true and correct copy of the Resolution adopted by the

DARLENE J. BLOOM, Clerk of the Commission

By: _____
Deputy

**EXHIBIT A TO RESOLUTION OF COMMISSION
AMENDED ANNUAL OPERATING BUDGET FOR FISCAL YEAR 2012-13
(attached)**