Children & Families
Commission of Orange County

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Agenda Item No. 8
January 6, 2010 Meeting

ORANGE COUNTY
BOARD OF SUPERVISORS

DATE: December 15, 2009

TO: Children and Families Commission of Orange County

FROM: Michael M. Ruane, Executive Director

SUBJECT: Review of FY 2009-10 Mid-Year Budget Adjustments and FY 2010-11 Budget Process

SUMMARY:
The Fiscal Year 2009-10 Mid-Year Budget Adjustments and the proposed Fiscal Year 2010-11 Budget Process are presented for the Commission's review and approval. Consistent with Commission direction at the October 2009 meeting, staff has prepared authorizing actions to implement the proposed $8 million in reductions anticipated in the FY 2009-10 Budget. The initial planning for the FY 2010-11 Budget will be considered by the Commission at a workshop scheduled for the February meeting. . Key assumptions related to the budget are outlined below and will be used to support the development of planning materials for review at the February workshop.

Fiscal Year 2009-10 Mid-Year Budget Adjustments
The attached budget reductions are consistent with prior Commission direction and reflect recommended budget decreases based on actual and anticipated expenditures as well as reductions that staff has already implemented.

Revenues
Fiscal year 2009-10 year to date tax allocations are consistent with the budget plan. To date, Orange County has received the following allocations of Proposition 10 revenue from First 5 California:

	FY 2009/10 Prop 10 Revenue
July	$2,732,711
August	$2,760,894
Sept	$2,752,432
Oct	$2,652,496
YTD Allocations	**$10,898,533**

Actual revenue received is less than allocated funds due to delays in disbursement from the State; revenue allocations have only been received through September 30, 2009. Based on actual receipts to date, staff is not recommending any changes to the revenue forecast at this time. Year

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to date allocations forecasted are within two percent of the budget revenue. However, staff will continue to closely monitor revenue allocations and revenue receipts and recommend any budget adjustments as necessary.

Expenses
The adopted Fiscal Year 2009-10 Budget included a targeted reduction of $8 million in program funding. In October 2009, Commission staff reported on potential funding reductions to meet the $8 million target. Staff has continued to review the budget and has identified savings of $8.3 million to be realized in the current fiscal year. The program and service reductions are critical to achieving the funding levels projected in the recently reviewed Long Term Financial Plan.

The FY 2009-10 Approved Budget reflected an approximate 10 percent reduction in the administrative budget over prior year budget, and additionally $100,000 in administrative cost reductions realized in the first quarter through the successful renegotiation of the lease terms at a lower rate authorized by the Commission in September 2009. Attachment 1 presents a summary of the final set of recommended budgetary changes to the Commissions FY 2009-10 Budget and reserves to meet and exceed the budget reduction target. Attachment 2 presents a restatement of the Adopted Budget and includes actual through November 2009.

Recommended budget reductions include:

- $5.145 million in program funding decreases associated with program expansion delays, funding reductions, and reduction in administrative
- $510,550 in administrative cost reductions including reduction in program evaluation, data system and reporting
- $2 million in changes to the Commission reserve balances to redirect funds to the long-term sustainability account
- $693,454 in savings due to the release of previously encumbered funds associated with closed contracts.

The capital reserve fund will remain at $2 million to support the catalytic investments recently approved by the Commission, such as funding for Latino Health Access ($500,000) and the Boys & Girls Clubs of Huntington Valley ($750,000). The fund will be used to support one-time catalytic investments that can support long-term sustainability efforts at partner agencies.

Fiscal Year 2010-11 Budget Process
The budget process for FY 2010-11 will utilize the comprehensive practice for building the annual budget that has been used for the past several fiscal years. The updated Long Term Financial Plan will provide the general framework and guidance for the budget development. Based on prior Commission direction, staff will assume total program funding of $38 million for FY 2010-11, including $18 million in encumbrances.

As discussed at the December 2009 meeting, the February 2010 meeting will be a workshop in which all key program elements will be considered and reviewed by the Commission. Staff is preparing an analysis of FY 2010-11 demands as compared with the current year budget and actual. Attachment 3 presents a summary of the key budget assumptions that will be used as the basis for the initial planning work on the FY 2010-11 Budget.

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 outcome goals.

RECOMMENDED ACTIONS:
1. Approve FY 2009-10 Mid-Year Budget Adjustments Schedule presented in Attachment 1
2. Receive Budget Process Overview

ATTACHMENTS:
1. FY 2009-10 Proposed Budget Reductions
2. FY 2009-10 Restated Operating Budget and Actuals through November 30, 2009
3. FY 2010-11 Budget Key Assumptions

Contact: Christina Altmayer

Attachment 1

Recommended Reductions in FY 2009/10 Budget to Achieve $8 million Targeted Reduction

Reduction	Impact	Reduction in FY 09/10 Budget
Capital Reserves	Commission had previously reserved $4 million to support potential capital programs; planned programs will not require this level of funding. Funding will continue to be reserved for catalytic programs	$ 2,000,000
Released Encumbrances from Closed Agreements	Commission staff has reviewed all existing encumbrances and identified contract balances that can be released because contract has been closed	$ 693,454
Program Savings	Early Learning Expansion Reserve - Expansion postponed until FY 10/11 and will be included in upcoming Early Learning Program review	$ 2,300,000
Capacity Building		
	Eliminates technical support for Prop 63 program implementation	$ 500,000
	Eliminates funding for additional cycles in FY 09/10	$ 300,000
	Printing & Reproduction Services (Kid Builders & Confidentiality Brochures)	$ 45,000
Pediatric Health Services	Program savings due to restructuring on agreements expiring June 30, 2011; reductions anticipated to be realized in current fiscal year	$ 200,000
Capital Projects - Affordable Housing Clearinghouse	Unspent encumbered funds for transitional shelter capital programs through Affordable Clearinghouse ($1.6 million remains available for FY 09/10 projects)	$ 1,800,000
Performance Outcome System	Savings Associated with transition to new service provider to be realized in current fiscal year	$ 275,000
	Reduction in on-call research and evaluation support	$ 100,000
	Reduced Project Management Services	$ 135,550
Total Impact of Reductions		**$ 8,349,004**

Children and Families Commission of Orange County
FY 2009-10 Adjusted Operating Budget

FINANCING

	FY 2009-10 Beginning Budget	1st Quarter Adjustments	FY 2009-10 Adjusted Budget	FY 2009-10 11/30/09 Actuals Revenues
General Purpose Revenues	33,515,143		33,515,143	8,828,222
Special Purpose Revenues	4,599,027		4,599,027	2,130,827
TOTAL REVENUES	**$38,114,170**		**$38,114,170**	$10,959,049
Fund Balance	27,220,974		27,220,974	
TOTAL FINANCING	**$65,335,144**		**$65,335,144**	

REQUIREMENTS

PROGRAM SERVICES	FY 2009-10 Beginning Budget	1st Quarter Adjustments	FY 2009-10 Adjusted Budget	FY 2009-10 11/30/09 Actuals Expenditure	Encumbrances
Healthy Children	35,001,763	(285,500)	34,716,263	3,002,603	39,465,123
Strong Families	9,174,834	(1,800,000)	7,374,834	91,396	13,420,726
Ready to Learn	17,787,422	(2,320,000)	15,467,422	777,370	16,828,192
Capacity Building	5,921,125	(1,150,000)	4,771,125	495,395	3,830,979
Targeted Reductions to Program Services	(8,000,000)	5,555,500	(2,444,500)		
TOTAL PROGRAM SERVICES	**$59,885,144**		**$59,885,144**	$4,366,764	$73,545,020
ADMINISTRATIVE FUNCTIONS	5,058,963	(108,963)	4,950,000	1,733,074	1,654,354
Targeted Reductions to Admin Functions	(108,963)	108,963	$0		
CONTINGENCY FUNDING	500,000	0	500,000	0	0
TOTAL OPERATING EXPENSES	**$65,335,144**		**$65,335,144**	$6,099,838	$75,199,374
FINANCES LESS EXPENSES		**0**	**0**		

Attachment 3

Children & Families Commission of Orange County
Fiscal Year 2010-2011 Operating Budget
Summary of Assumptions – January 2010

Revenues

- Proposition 10 Revenue Allocations:
  - Based on projected distributions that are calculated by First 5 California and the State of California.
  - Current estimate for FY 2010-2011 is $30.1 million.
- Interest Earnings – Investments remain consistent with the current portfolio & earn interest at an average of 1.5 – 2% annually (approximately $1.2 – 1.5 million)
- State School Readiness revenues will not be available in FY 2010-2011
- AmeriCorps program revenue is not budgeted due to change in program administration. Fiscal revenues go directly to fiscal intermediary which streamlines budget
- Federal program revenues for Vista and MAA Federal Reimbursements will remain consistent with the FY 2009-2010 baseline (approximately $0.5 – 0.6 million)

Expenses

- Program Expenses:
  - Total program expenses budgeted at $38 million - $18 million in previously encumbered contracts, $20 million in funds for allocation.
  - Allocation of program expenses between goal areas to be determined based on Commission direction at the February workshop and consistent with Long Term Financial Plan.

- Administrative and Evaluation Expenses:
  - Evaluation expenses will be at or below a total of $1.1 million.
  - Administrative expenses will not exceed 10% of total budgeted expenses per compliance with AB109/SB35.