



**Supplemental Item
December 3, 2014**

DATE: November 24, 2014
TO: Children and Families Commission of Orange County
FROM: Christina Altmayer, Executive Director 
SUBJECT: Corrections and Updates to Agenda Item 9

This supplemental item includes corrections and updated information to Agenda Item 9 on the December 3, 2014 Commission agenda.

- On the second page of the agenda item, the Round 2 Catalytic funding total has been corrected to read “\$2.2 million”, and a summary table has been added.
- The Long-Term Financial Plan and Program Update presentation slides have been updated to include two new slides: the Long-Term Financial Plan graph (Page 3) and the Administrative Cost Estimates (Page 6).
- The Commission’s Catalytic Funding Summary was added as Attachment 1.

The updated agenda item and attachments included in this supplemental item replace Agenda Item 9 in the initial agenda packet.

ATTACHMENTS:

1. Agenda Item 9 – Long Term Financial Plan and Program Update
2. Catalytic Funding Summary
3. Long Term Financial Plan and Program Update

**Agenda Item 9
December 3, 2014**

DATE: November 25, 2014

TO: Children and Families Commission of Orange County

FROM: Christina Altmayer, Executive Director

SUBJECT: Long-Term Financial Plan and Program Update

SUMMARY:

The Long-Term Financial Plan has been used by the Children and Families 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, it is updated annually and used to monitor and forecast revenue trends and program funding over a 10-year period. The financial plan has been updated with FY 2013/14 year-end financial results and the Amended FY 2014/15 Budget.

DISCUSSION:

The Commission's Catalytic Funding Summary (Attachment 1) that was presented at the October meeting is included for reference. A presentation (Attachment 2) is also included that summarizes the 2014 update of the Long-Term Financial Plan, status of three-year renewal implementation, and confirmation of sustainability strategies.

Year End Financial Results and Revenue Forecasts

Orange County Proposition 10 revenue is projected to decline, consistent with declining rates of smoking. Orange County's FY 2013/14 actual Proposition 10 revenue was 2.33% below the prior year. The FY 2014/15 Approved Budget assumed a 3.75% decline of \$.98 million, however, since actual revenue for FY 2013/14 came in slightly higher, the calculated decline is now higher (4.41%). Adjusting the FY 2014/15 revenue is not recommended at this time. Actual revenue will be closely monitored and staff recommends that if actual revenue is higher than budgeted, the difference will be directed to the Catalytic Fund.

The Commission ended FY 2013/14 with a positive year-end balance due to under spending of program and administrative expenses of which \$1.4 million was added to the Amended FY 2014/15 Budget. Approximately \$1.3 million in carryover funding was approved by the Commission in October. Savings from FY 2013/14 Administrative Expenses of \$100,000 were added to the FY 2014/15 budget for Health Access activities as part of the October budget action by the Commission.

Implementation of Approved Program Renewal Strategy

Based on the revenue projections, the Long-Term Financial Plan incorporates three-year program renewals beginning July 1, 2014 approved by the Commission in February 2014. Reductions in funding focused on opportunities for lowering costs based on prior catalytic investments, changes in external funding environments, and achievement of further program efficiencies.

This report provides a summary of the impact of the updated financials and requests Commission approval to change the calculation of the administrative cap. All \$45 million of Round 1 Catalytic funding has been excluded from the administrative cap calculation since FY 2012/13. Round 2 Catalytic funding totaling over \$2.2 million was also not included in the calculation of the administrative cap. Current year estimated Round 2 Catalytic expenses of \$1.9 were also not included in the FY 2014/15 administrative calculation. Beginning in FY 2015/16, Round 2 Catalytic programs estimated at \$5.85 million are expected to utilize increased staff resources for planning and program development. Staff requests Commission approval to include Round 2 Catalytic program allocations as part of the operating budget for calculation of the administrative cap. Planned draw downs from catalytic funds will be presented in the operating budget as approved by the Commission. This change will not increase or decrease actual administrative costs, but will more accurately recognize the resources allocated to programs in the presented budgets for FY 2015/16 and FY 2016/17.

Summary Table of Round 2 Catalytic Funding

Total Round 2 Catalytic Allocation	\$9,950,000
Estimated Total Round 2 Expenses by June 30, 2015	<u>(4,100,000)</u>
Remaining Round 2 Catalytic Funding to be included in administrative calculation beginning July 1, 2015	\$5,850,000

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:

- October 2014 - Adopted resolution approving the Fiscal Year 2013/14 Annual Report, Comprehensive Annual Financial Report and Single Audit Report, approved amendments to FY 2014/15 Operating Budget, and adopted resolution approving the Amended Annual Operating Budget for FY 2014/15
- February 2014 - Approved Proposed Funding Renewal Actions for Program Agreements for FY 2014/15 through FY 2016/17
- November 2013 – Received the Long-Term Financial Plan Update

RECOMMENDED ACTION:

Receive presentation on the Long-Term Financial Plan and Program Update and provide direction to staff.

ATTACHMENTS:

1. Catalytic Funding Summary
2. Long Term Financial Plan and Program Update

Contact: Michael Garcell

**Children and Families Commission of Orange County
Catalytic Funding Summary**

Catalytic Funding		Total Program Allocations	Executed / In- Process Agreement	Reserved Funding	Remaining Funding
Round 1 (Feb. 2012)	Children's Dental	20,000,000	20,000,000		
	Early Developmental Services/Autism	7,000,000	7,000,000		
	Year Round Emergency Shelter	7,000,000	7,000,000		
	Early Learning and Math	5,000,000	5,000,000		
	Healthy Child Development/Pretend City	5,500,000	500,000	5,000,000	
	VISTA/AmeriCorps	500,000	25,000		475,000
Round 1 Total		45,000,000	39,525,000	5,000,000	475,000
Round 2 (Mar. 2012)	Capacity Building Grant Program	3,250,000	3,140,000	110,000	
	Partnership for Children's Health	3,000,000	297,260	2,702,740	
	Prevention Services	500,000	40,000	460,000	
	Nutrition and Fitness	500,000	40,000	460,000	
	Vision	1,500,000	1,500,000		
	Unallocated Catalytic Funding ¹	1,200,000			1,200,000
Round 2 Total		9,950,000	5,017,260	3,732,740	1,200,000

Notes:

1. Unallocated Catalytic Funding includes the additional allocation of \$200,000 FY 2013/14 revenue surplus pending approval of Agenda Item 8.

**Agenda Item 9
December 3, 2014**

DATE: November 12, 2014

TO: Children and Families Commission of Orange County

FROM: Christina Altmayer, Executive Director

SUBJECT: Long-Term Financial Plan and Program Update

SUMMARY:

The Long-Term Financial Plan has been used by the Children and Families 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, it is updated annually and used to monitor and forecast revenue trends and program funding over a 10-year period. The financial plan has been updated with FY 2013/14 year-end financial results and the Amended FY 2014/15 Budget.

DISCUSSION:

Attachment 1 includes a presentation that summarizes the 2014 update of the Long-Term Financial Plan, status of three-year renewal implementation, and confirmation of sustainability strategies.

Year End Financial Results and Revenue Forecasts

Orange County Proposition 10 revenue is projected to decline, consistent with declining rates of smoking. Orange County's FY 2013/14 actual Proposition 10 revenue was 2.33% below the prior year. The FY 2014/15 Approved Budget assumed a 3.75% decline of \$.98 million, however, since actual revenue for FY 2013/14 came in slightly higher, the calculated decline is now higher (4.41%). Adjusting the FY 2014/15 revenue is not recommended at this time. Actual revenue will be closely monitored and staff recommends that if actual revenue is higher than budgeted, the difference will be directed to the Catalytic Fund.

The Commission ended FY 2013/14 with a positive year-end balance due to under spending of program and administrative expenses of which \$1.4 million was added to the Amended FY 2014/15 Budget. Approximately \$1.3 million in carryover funding was approved by the Commission in October. Savings from FY 2013/14 Administrative Expenses of \$100,000 were added to the FY 2014/15 budget for Health Access activities as part of the October budget action by the Commission.

Implementation of Approved Program Renewal Strategy

Based on the revenue projections, the Long-Term Financial Plan incorporates three-year program renewals beginning July 1, 2014 approved by the Commission in February 2014. Reductions in funding focused on opportunities for lowering costs based on prior catalytic investments, changes in external funding environments, and achievement of further program efficiencies.

This report provides a summary of the impact of the updated financials and requests Commission approval to change the calculation of the administrative cap. All \$45 million of Round 1 Catalytic funding has been excluded from the administrative cap calculation since FY 2012/13. Round 2 Catalytic funding totaling over \$22 million was also not included in the calculation of the administrative cap. Beginning in FY 2015/16, Round 2 Catalytic programs are expected to utilize increased staff resources for planning and program development. Staff requests Commission approval to include Round 2 Catalytic program allocations as part of the operating budget for calculation of the administrative cap. Planned drawdowns from catalytic funds will be presented in the operating budget as approved by the Commission. This change will not increase or decrease actual administrative costs, but will more accurately recognize the resources allocated to programs in the presented budgets for FY 2015/16 and FY 2016/17.

STRATEGIC PLAN & FISCAL SUMMARY:

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- November 2013 – Received the Long-Term Financial Plan Update

RECOMMENDED ACTION:

Receive presentation on the Long-Term Financial Plan and Program Update and provide direction to staff.

ATTACHMENTS:

1. Long Term Financial Plan and Program Update Presentation

Contact: Michael Garcell



Agenda Item No. 9
Attachment 1

Long-Term Financial Plan and Program Update



Children & Families Commission of Orange County

December 3, 2014



- Commission has reviewed and updated its long term revenue and program projections annually since 2000.
- Long-Term Financial Plan provides:
 - A ten year outlook of anticipated revenue
 - A forecast of funding capacity to sustain programmatic funding
 - A framework for evaluating annual budget decisions
- Long-Term Financial Plan does not:
 - Authorize any specific funding actions
 - Obligate the total pool of program funding to any specific programs or projects



- FY 2013/14 Actual Tobacco Tax Revenue:
 - 2.33% decline from prior year (FY 2012/13 to FY 2013/14)
 - FY 2014/15 Amended Budget assumes 4.41% decline because of higher than expected FY 2013/14 actual revenue
 - First 5 California currently projects a 3.52% decline for FY 2014/15
- Projected revenue amounts were originally based on First 5 California estimates, but are more conservative as recommended by Commission staff.

	FY 2012/13 Actual Per Audit	FY 2013/14 Actual Per Audit	FY 2014/15 Budget	FY 2015/16 Projection	FY 2016/17 Projection	FY 2017/18 Projection	FY 2018/19 Projection
Tobacco Tax Revenue	\$27,024,505	\$26,395,725	\$25,230,753	\$24,284,600	\$23,434,639	\$22,497,253	\$21,597,363
% change from Prior Year	-6.77%	-2.33%	-4.41%	-3.75%	-3.50%	-4.00%	-4.00%

Long-Term Financial Plan Assumptions



- Realized revenues above budget will be added to unallocated Catalytic Funding for future one-time investments.
- Annual draw of fund balance is used to supplement decline in annual revenue.
- Administration limited to 10% of operating budget.
 - Current administrative cap is exclusive of all Catalytic funding beginning in FY 2012/13. Costs of Round 1 Catalytic Funding (\$45 million) implementation absorbed within operating budget.
 - Incorporate remaining Round 2 Catalytic Funding in operating budget, allowing the related program costs to be included within administrative cap. As more funding is catalytic, change is necessary to reflect our shift in focus.
 - No increase in administrative actual expenses.
 - An additional 5% reduction to actual administrative costs is programmed for FY 2016/17.
- Fund balance required to be maintained at 25% of current year operating budget.
 - Fund balance may be assigned for future-year budgets and financial planning.
 - Minimum fund balance is maintained through FY 2022/23 in current plan.



- FY 2014/15 Budget implemented LTFP Strategy:
 - Three-year renewals beginning July 1, 2014 with a total reduction of 25% in program funding
 - Sustain Commission priorities identified in prior year budget reductions by maintaining current allocation of funding across programmatic areas
 - Reductions focused on prior catalytic investments, changes in external environment and minimize high variations in program costs within a funded category
- FY 2014/15 is the first of three-year reductions.
- The final seven years of the ten-year financial plan include level program funding.



Strategic Intent #1

- Continuing to work to identify at least \$3 million in sustainable strategies through other funding and program efficiencies by the end of FY 2017/18. Efforts to date:
 - Bridges, Pay for Success
 - Clinics – Federally Qualified status
 - Active pursuit of federal, state grant funding as well as national foundations
 - Aggressively pursue reduction in BOE administrative fees

Strategic Intent #3

- Develop mechanism to centrally track and document the value of strategic partnerships in terms of matching funds, leveraged funds, shared data, and program results.

Recap of Today's Actions



- Receive Updated Revenue Forecast
 - No change proposed for current year revenue
- Review current Long Term Financial Plan Assumptions
 - Request approval of change in policy related to Round 2 Catalytic Funding
- Next Steps
 - Monitor actual revenue against budget and plan
 - Provide midyear update in March/April 2015
 - Develop FY 2015/16 Budget consistent with Long Term Financial Plan