FIVE-YEAR FINANCIAL PLAN FY 2015-2019

Prepared for:

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First 5 Lassen Children and Families Commission

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First 5 Lassen Children and Families Commission

FIVE-YEAR FINANCIAL PLAN FY 2015 - 2019

INTRODUCTION

The Lassen Children and Families Commission (referred to as "the Commission" throughout) has developed this financial plan to help address the challenges of sustained financing for projects and services supported by First 5 Lassen. A financial plan is a management tool for attracting and allocating financial resources within a specified time period in order to achieve long-term goals. This plan covers a five-year period from July 1, 2014 through June 30, 2019.

The five-year financial plan is a companion document to the strategic plan for First 5 Lassen. The strategic plan describes the mission, vision and values of the Commission, specifies the long-term goals and shorter-term objectives for enhancing the health, development and well-being of children age 0 to 5 and their families, and defines the strategies that will be used to achieve those goals and objectives.

The Commission updated its long range financial plan as part of the annual strategic plan review and update process. Over the course of three months, the Commissioners discuss transition issues (moving to a virtual environment, impact on program funding without small county augmentation, etc.) and made decisions that resulted in the 2015-2019 financial plan. Key questions around the Commission's current structure and funding priorities were discussed in order to position the Commission to sustain funding over a longer period and positively impact children and families. Staff conducted targeted outreach, reviewed program delivery strategies, including partnerships, and worked with the Commissioners to identify topics for presentation and discussion at the February and April 2014 meetings. The priorities and decisions made during those meetings were the basis for updating the financial forecast.

As with previous plans, this document shows how the necessary financial resources to carry out the strategic plan will be acquired and managed. In other words, the purpose of this plan is to help provide the Commission with the capacity (through dollars and fiscal strategies) to invest in projects and services each year while also fulfilling the many legal mandates imposed upon the Commission.

FINANCIAL OBJECTIVES AND PRINCIPLES

Financial objectives describe what the financial plan should accomplish, consistent with the overall strategic plan for First 5 Lassen. The financial objectives established by the Commission for the five-year period covered by this plan are to:

1. Limit the administrative cost percentage of the actual costs incurred in the fiscal year to 15% in years where small county augmentation is provided, and to 20% in years where there is no administrative or operations augmentation awarded from the First 5 California Children and Families Commission.

2. Sustain the activities described in the strategic plan throughout the five-year period covered by the plan, and if possible beyond. Financial sustainability should occur at two levels:
   - The funded strategies level, consisting of the home visiting, oral health, and other Commission initiated projects for children; and
   - The system impact level, consisting of the First 5 Lassen infrastructure (Commission, staff and operations) needed to support and evaluate program service delivery, build partnerships and improve service delivery systems, including non-funded strategies, and carry out the work of the Commission.

Principles are guidelines for how the financial plan will be used to support short- and long-term funding and policy decisions. The following principles were reaffirmed and adopted by the Commission for this plan:

1. This plan is meant to be used as a framework for managing resources – it in no manner obligates the Commission to specific funding for programs or projects. The approval of specific grants, contracts, and budgets can only occur through special action of the Commission in public meetings; they are not in any way authorized by this financial plan.
2. This plan will be used as a starting point to develop the annual budget and assumptions, which will be modified to reflect changing conditions and trends.
3. Although program funding is projected for five years, the Commission continues to study a variety of scenarios to determine level of program funding beyond year one; how and when it will move from a physical office space to virtual offices; and, how it will distribute tax revenues once the reserve has been spent down.
4. The Commission will continue to focus on capacity building for funded programs and developing/ leveraging partnerships in order to enhance the system of care and promote sustainability beyond Commission funding.

The Commission reserves the ability to amend the plan at any time new information affecting revenues/expenses is available, but at a minimum each year as part of the annual strategic plan review process.

FISCAL STRATEGIES

This section of the plan describes four fiscal strategies that will be pursued in order to achieve the financial objectives listed in this plan and to provide the financial resources necessary to carry out the strategic plan.

1. **Actively support/advocate for continued Small County Augmentation** funding each time that it comes up for discussion. This revenue source allows the Commission to conduct evaluation and program support activities in addition to the business of the Commission and direct the tax allocation to programs.

2. **Actively participate in state and regional discussions** to demonstrate the value and impact of First 5 investments at the local level in order to dissuade attempts at eliminating or redirecting First 5 funding to other state budget items**.**

3. **Look for ways to imbed funded activities** in public agencies or other service organizations so that they become part of the ongoing service delivery system and not reliant solely on First 5 funding to sustain

activities and results. This strategy includes supporting or building new partnerships to take over [previously] funded Commission activities, and partnering to take advantage of cost sharing strategies.

4. **Partner with identified public, private and tribal agencies** to develop / fund opportunities for the integration of existing and expanded resources benefitting the health, development and school readiness of children birth through 5.

FUTURE REVENUE AND EXPENSE ASSUMPTIONS

The heart of the financial plan is a set of assumptions about what is projected to occur in the future. These assumptions shed light on important financial issues, such as where the greatest opportunities exist to improve the future financial capacity for investing in the well-being of young children as well as where the greatest risks lie for future revenue reductions and expense increases. They also serve as the foundation for the five-year forecast of revenues and expenses contained in this plan.

Assumptions affecting the projected financial future of First 5 activities in Lassen County are outlined below, grouped into categories of assumptions about revenues and assumptions about expenses (both programmatic and administrative).

Revenue Assumptions

Statutory allocation of tobacco tax revenues to Lassen County. State law specifies that 80% of statewide tobacco taxes raised through the 50 cent-per-pack tax imposed by Proposition 10 are allocated to the 58 counties according to each county's birth rate. The county's ten-year birth rate has averaged 298 (2003-2012) births per year; with the highest number of births in 2009 at 325. The average birthrate is expected to decrease by 9% to 269 over the next ten years (2013-2022), indicating that state allocations to Lassen County could decrease slightly. In fiscal year 2009-10, revenue projections for Lassen County dropped below $200,000 making First 5 Lassen a minimum allocation county for the first time. Revenues for the first seven months of FY 2013-14 (through January) were $121,659, or an average of $17,380 per month. If the reimbursements continue to average this amount, tax revenues for the current fiscal year will exceed the forecast by approximately $8,560. Projections for FY 2014-15 have not been released yet, but are expected by late April or May. Therefore, the Commission will continue to take a conservative view and project revenues at the minimum allocation level of $200,000 per year over the next five years.

State administrative and travel expense augmentations. Prior to 2012, Lassen County had been receiving approximately $113,000 a year from First 5 California for administrative and travel costs through the Small County Augmentation project (SCA). A three year extension of SCA was approved in April 2010 and expires in June 2013. Actual amounts in Small County Augmentation received for the first seven months of FY 2013-2014 were $159,051. This is higher than the total projected amount for the final year of SCA, and averages $22,723 per month. Carried forward through the end of the fiscal year at this level, the Commission can anticipate another $113,608, significantly exceeding the project amount of $154,500. The First 5 Association worked with a coalition of small counties and the State Commission to develop recommendations for a new small county augmentation (SCA) and accountability framework. The new SCA was approved by the State Commission in April 2014 and increases allocations to Lassen County by estimated $32,887 over 2013-14 projected revenues to $400,000. This represents the combined funding (tax allocation and SCA). The new

SCA framework has requirements for small counties to be eligible for funds; Lassen is in a position to meet those requirements.

Proposed Tobacco Tax Legislation. A new tobacco tax proposal is being considered by the Legislature to fund research of brain and central nervous system disorders (CIGARETTE TAX TO FUND BRAIN RESEARCH. INITIATIVE STATUTE, 14-0005). The proposal would increase the excise tax on a pack of cigarettes by one dollar to $1.87. This proposal does have a backfill provision. The Legislative Analyst Office estimates it would generate between $500 and $750 million in revenue by 2015-16. Of that, approximately $40 to $57 million would be needed to back fill losses experienced by programs currently funded through tobacco tax revenues. The impact on State and Local government health care costs is not known. However, a reduction in tobacco use is anticipated to reduce the amount of health care and social services spending in the long term, due to a decrease in tobacco-related diseases.

Federal and California Budgets. There have been several changes in the federal landscape that may impact services in Lassen County. Sequestration, a mechanism for automatic spending cuts – was included in the Budget Control Act of 2011 (BCA) as a fallback plan to reduce federal spending. Because an assigned committee could not identify an additional $1.2 trillion in cuts to federal programs between FY 2013-2021, sequestration is now in effect. Unless the law is changed or repealed, the BCA mandates further cuts including some to mandatory programs including Medicare, totaling $109.3 billion in each year until 2021. Programs that will face cuts include health and human services, education, safety and military readiness. Additionally, the Consolidated Appropriations Act funds the federal government through September 30, 2014. It provides $1.012 trillion in base discretionary funding. It reverses cuts to Head Start, and Training and Education. It also expanded mental health services and supported implementation of the Affordable Care Act (ACA). As a result, 2.6 million Californians are now able to access financial assistance to pay for their health insurance and 1.4 million are "newly eligible" for Medi-Cal.

Non-Prop 10 grants and contributions. This plan does not currently provide for revenues from other grant sources or public/private contributions. However, in preparation for downsizing and managing without continued small county augmentation, the Commission and its funded partners will continue to explore increasing revenues through reimbursements from Medi-Cal Administrative Activities (MAA) and Targeted Case Management (TCM).

Interest and other income. Interest earnings are based on recent earnings of $300 per year. Interest is a combination of local interest and contributions from the Surplus Money Investment Fund (SMIF), which have been steadily declining.

Expense Assumptions

Operating costs – Diversified Management (DM) contract for staff support and operations. Commission will continue to contract for professional services and staff to manage its operations but the level (amount of hours) and type (virtual vs. physical presence) will vary over the five years.

Contracted personnel will perform general administration, program support and technical assistance, and evaluation functions on behalf of the Commission, but at different intensity levels once small county augmentation ends. Operating in a virtual environment beginning in January 2016, ongoing costs would be covered by Diversified Management under their contract. Expenses currently allocated to "rent," will become available for program or emerging initiatives funding. All of the evaluation will be done through DM, with targeted support from external evaluators.

The total professional fees for management services over the next five years are expected to equal approximately 21% of total expenditures. The average apportionment of the contract across the functional areas is estimated as: 50% for administration, 22% for program support and technical assistance, and 23% for evaluation.

Operating – Other These line items include the annual audit, Commission insurance and other contracted services (program database) to support the work of First 5 Lassen County.

Contractors. Costs for outside contractors will total $55,000 over five years. This includes external evaluation support and a single contract for five years to maintain and update the database system. The Commission contract for outside evaluation and technical assistance to programs (external data review, analysis and report writing) is at lower rates beginning in FY 2014-2015.

Audit & Commissioner Insurance. Expenses for both the annual audit and Commission Insurance are projected to remain level at $9,000 and $1,500 respectively throughout the five years.

Other. Other operating costs are anticipated to remain at current levels throughout the forecast period.

Home Visiting Program. The financial plan includes funding for the variety of Pathways home visiting activities under Improved Child Development and Improved Family Functioning result areas over the next five years. Each year of the forecast, the Home Visiting program will receive the same funding amount: $263,116 ($100,000 for Improved Child Development and $163, 116 for Improved Family Functioning) for five-year total of $1,315,500.

Oral Health Program. The financial forecast provides $153,000 total over five years to support oral health and emergency oral health program services, with $33,000 set aside for the first year, and $30,000 thereafter.

Emerging Initiatives or Other Programs. The forecast includes $55,600 to invest in emerging initiatives and other programs (e.g., Adin Preschool). Funds include $5,600 to support Improved Child Development and $50,000 for Improved Systems; which may be used as a match from First 5 Lassen to support expanded collaboration (i.e., Young Child Wellness Systems and Bridges Out of Poverty initiatives) and leverage other funding.

Due to the current economic climate and the Commission's effort to build community and program capacity, the Commission will monitor and reevaluate funding levels for all program investment areas throughout the year. They will adjust the 5-year forecast in 2014-15 as needed to reflect changing needs and priorities.

FIVE-YEAR FINANCIAL FORECAST

Fund balances are categorized in accordance with GASB54 definitions and as approved in First 5 Lassen's Policy and Procedures Manual. For the first two years line items are categorized as follows:

Committed

Contractors – Audit, Diversified Management, Inc., Bailey Data Management, Social Entrepreneurs, Inc.

Home Visiting

Oral Health and Emergency Oral Health

Other Child Development –Adin Preschool

Assigned

Association Dues

Educational Materials

Emerging Initiatives

Insurance

Travel

Misc. Program Costs

Unassigned

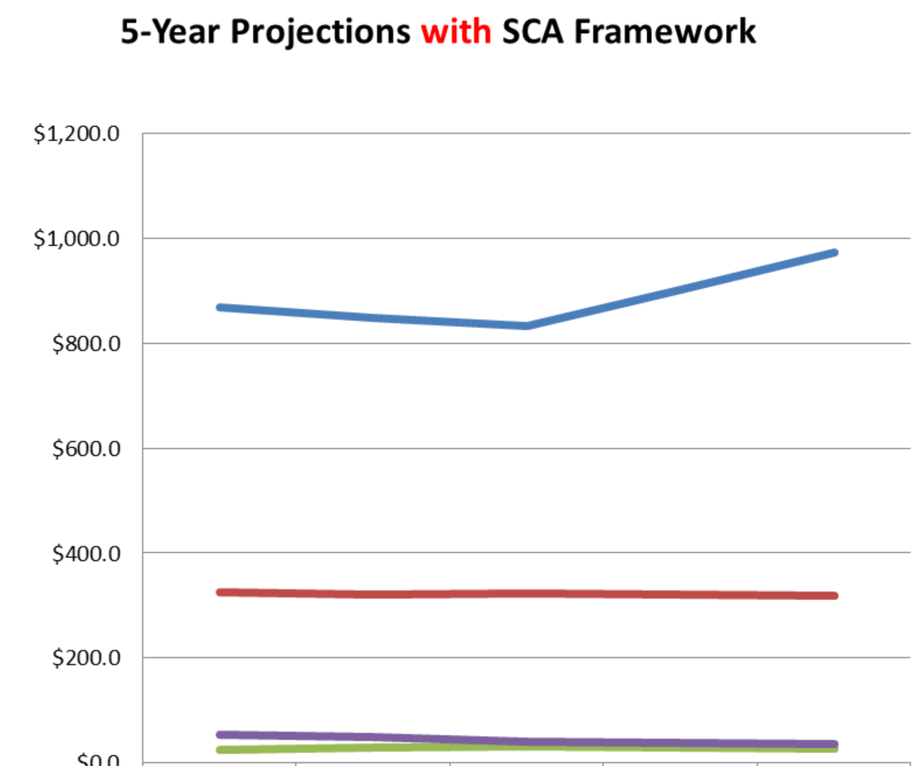
No forecasted funds are unassigned

The next two pages show projected income and expense levels over the next five years, based on the objectives, principles, assumptions and strategies contained in this financial plan under the "best case" scenario of continued SCA. Appendix A contains a forecast under the less favorable situation of no SCA.

TABLE 1: BEST CASE SCENARIO BUDGET FORECAST BY PROGRAM. WITH CONTINUATION OF SMALL COUNTY AUGMENTATION FUNDING

Dollars in Thousands						
	Five Year	FY	FY	FY	FY	FY
Amounts shown in thousands	Total	2014-15	2015-16	2016-17	2017-18	2018-19
Beginning Fund Balance:		464.0	445.3	430.1	499.8	569.5
Revenues:						
Emergency Oral Health Account	12.3	3.3	3.0	2.0	2.0	2.0
Tobacco tax allocation	1,000.0	200.0	200.0	200.0	200.0	200.0
Administration and travel augmentation	1,000.0	200.0	200.0	200.0	200.0	200.0
Interest and other income	1.5	0.3	0.3	0.3	0.3	0.3
Total revenues	4,422.5	867.7	848.6	832.4	902.1	971.8
Expenses:						
Community programs and services:	1,524.1	308.9	305.9	303.1	303.1	303.1
Home Visiting	*1,315.5*	*263.1*	*263.1*	*263.1*	*263.1*	*263.1*
Oral Health	*153.0*	*33.0*	*30.0*	*30.0*	*30.0*	*30.0*
Emerging Initiatives	*50.0*	*10.0*	*10.0*	*10.0*	*10.0*	*10.0*
Adin Preschool SRP	*5.6*	*2.8*	*2.8*	-	-	-
Other program costs						
Misc. program costs	15.0	3.0	3.0	3.0	3.0	3.0
Travel	7.5	1.5	1.5	1.5	1.5	1.5
Educational materials/media	5.0	1.0	1.0	1.0	1.0	1.0
Program evaluation (Bailey DMS)	17.5	3.5	3.5	3.5	3.5	3.5
Program evaluation (contractor)	37.5	7.5	7.5	7.5	7.5	7.5
Total community programs and services	1,606.6	325.4	322.4	319.6	319.6	319.6
First 5 operating costs:						
Administration contract	392.1	84.0	83.1	80.0	75.0	70.0
Administration	*195.5*	*39.3*	*39.3*	*40.3*	*39.3*	*37.3*
Evaluation	*88.6*	*14.0*	*18.4*	*20.5*	*18.7*	*17.0*
Program support/TA	*84.1*	*16.1*	*16.1*	*19.2*	*17.0*	*15.7*
Rent	*15.7*	*10.5*	*5.2*	*0.0*	*0.0*	*0.0*
Utilities	*4.0*	*2.0*	*2.0*	*0.0*	*0.0*	*0.0*
Technology	*4.2*	*2.1*	*2.1*	*0.0*	*0.0*	*0.0*
Dues	12.5	2.5	2.5	2.5	2.5	2.5
Audit	45.0	9.0	9.0	9.0	9.0	9.0
Insurance	7.5	1.5	1.5	1.5	1.5	1.5
Total operating costs	232.1	97.0	96.1	13.0	13.0	13.0
Total expenses:	1,838.7	422.4	418.5	332.6	332.6	332.6
Ending fund balance		445.3	430.1	499.8	569.5	639.2

TABLE 2: TREND LINE OF REVENUES AND EXPENDITURES – WITH CONTINUED AUGMENTATION



	2014/15	2015/16	2016/17	2017/18	2018/19
Revenues	$867.7	$848.6	$832.4	$902.1	$971.8
Programs/Services	$325.0	$322.0	$322.3	$320.1	$318.8
Evaluation	$25.0	$29.4	$31.5	$29.7	$28.0
Administration	$53.9	$48.6	$40.3	$39.3	$37.3

TABLE 3: EXPENDITURES BY CATEGORY AS PERCENT OF TOTAL EXPENDITURES

Percentage of Expenditures by Category	2014/15	2015/16	2016/17	2017/18	2018/19
Programs/Services	80.5%	80.5%	81.8%	82.3%	83.0%
Administration	13.3%	12.2%	10.2%	10.1%	9.7%
Evaluation	6.2%	7.4%	8.0%	7.6%	7.3%
	100.0%	100.0%	100.0%	100.0%	100.0%

APPENDIX A: Worst Case Scenario – Discontinuation of SCA

The forecast shown in Appendix A shows the budget expenditures by specific line item details under a "No Small County Augmentation Scenario." It is offered to show the Commission and community what might happen to resources under an alternative, "worst case" scenario. This budget assumes no SCA funding throughout the five year plan. Although it does not apply to the current forecast, it is important to understand the degree of reliance on the augmentation funding to support First 5 projects and initiatives.

Expense Assumptions – no small county augmentation beyond 2013-14

Operating costs – Diversified Management (DM) contract for staff support and operations. The Commission will continue to contract for professional services and staff to manage its operations but the level (amount of hours) and type (virtual vs. physical presence) will vary over the five years.

Contracted personnel will perform general administration, program support and technical assistance, and evaluation functions on behalf of the Commission, but at different intensity levels once small county augmentation ends. Operating in a virtual environment beginning in January 2016, ongoing costs would be covered by Diversified Management under their contract. Expenses currently allocated to "rent," will become available for program or emerging initiatives funding. All of the evaluation will be done through DM, with targeted support from external evaluators.

The total professional fees for management services over the next five years are expected to equal approximately 28% of total expenditures. The average apportionment of the contract across the functional areas is estimated as: 50% for administration, 22% for program support and technical assistance, and 23% for evaluation.

Operating – Other These line items include the annual audit, Commission insurance and other contracted services (program database) to support the work of First 5 Lassen County.

Contractors. Costs for outside contractors will total $50,500 over five years. This includes external evaluation support and a single contract for five years to maintain and update the database system. The Commission contract for outside evaluation and technical assistance to programs (external data review, analysis and report writing) at lower rates between FY 2015 and 2018, then further reduction to $3,000 in the final year of the forecast.

Audit & Commissioner Insurance. Expenses for both the annual audit and Commission Insurance are projected to remain level at $9,000 and $1,500 respectively throughout the five years.

Other. Other operating costs are anticipated to remain at current levels throughout the forecast period.

Home Visiting Program. The financial plan includes funding for the variety of Pathways home visiting activities under Improved Child Development and Improved Family Functioning result areas over the next four years, totaling $800,000 ($100,000 annually for each area). This will only be possible through FY 2017-18. In the fifth year of this plan, funding will be cut by 75% to $50,000. This will be necessary to offset the budget deficit that will result from sustained funding at current levels in combination with no small county augmentation. The Commission will continue to work with Pathways and help position Pathways with the Lassen County Health and Human Services so that it can access MAA funding and support program services beyond First 5.

Expense Assumptions – no small county augmentation beyond 2013-14

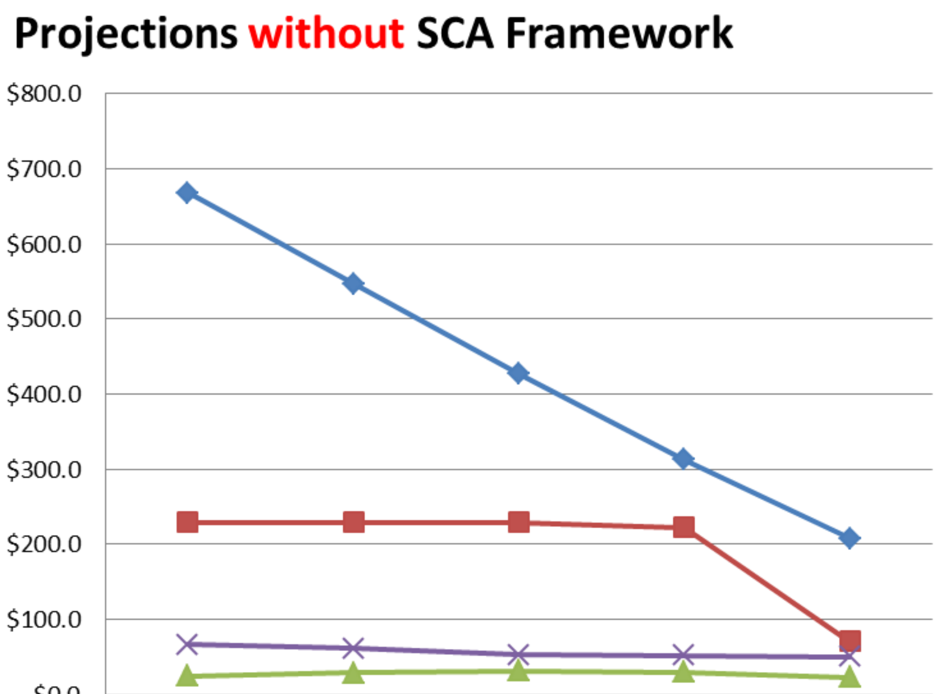
Oral Health Program. The financial forecast does not provide any funding to the Oral Health initiative under this scenario.

Emerging Initiatives or Other Programs. The forecast includes $20,600 to invest in emerging initiatives and other programs (e.g. Adin Preschool,). Funds include $5,600 to support Improved Child Development and $15,000 for Improved Systems; which may be used as a match from First 5 Lassen to support expanded collaboration (i.e., Young Child Wellness Systems and Bridges Out of Poverty initiatives) and leverage other funding. As with the other program funding, these funds do not extend through the entire five years of the forecast. In year five, any available funding in this category would need to be redirected to support a limited range of oral health services for high risk children, or possibly fund community education for oral health or home visiting.

TABLE 4: BUDGET FORECAST BY LINE ITEM – NO SMALL COUNTY AUGMENTATION

Dollars in Thousands						
Amounts shown in thousands	Five Year Total	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Beginning Fund Balance:		464.0	346.4	226.3	112.1	7.9
Revenues:						
Emergency Oral Health Account	3.3	3.3	0.0	0.0	0.0	0.0
Tobacco tax allocation	1,000.0	200.0	200.0	200.0	200.0	200.0
Administration and travel augmentation	-	0.0	0.0	0.0	0.0	0.0
Interest and other income	1.5	0.3	0.3	0.3	0.3	0.3
Total revenues	2,161.6	667.7	546.7	426.6	312.4	208.2
Expenses:						
Community programs and services:	870.6	207.8	207.8	205.0	200.0	50.0
Home Visiting	*850.0*	*200.0*	*200.0*	*200.0*	*200.0*	*50.0*
Oral Health	-	-	-	-	-	-
Emerging Initiatives	*15.0*	*5.0*	*5.0*	*5.0*	-	
Adin Preschool SRP	*5.6*	*2.8*	*2.8*			
Other program costs						
Misc. program costs	15.0	3.0	3.0	3.0	3.0	3.0
Travel	7.5	1.5	1.5	1.5	1.5	1.5
Educational materials/media	5.0	1.0	1.0	1.0	1.0	1.0
Program evaluation (Bailey DMS)	17.5	3.5	3.5	3.5	3.5	3.5
Program evaluation (contractor)	33.0	7.5	7.5	7.5	7.5	3.0
Total community programs and services	948.6	224.3	224.3	221.5	216.5	62.0
First 5 operating costs:						
Administration contract	392.1	84.0	83.1	80.0	75.0	70.0
Administration	*195.5*	*39.3*	*39.3*	*40.3*	*39.3*	*37.3*
Evaluation	*88.6*	*14.0*	*18.4*	*20.5*	*18.7*	*17.0*
Program support/TA	*84.1*	*16.1*	*16.1*	*19.2*	*17.0*	*15.7*
Rent	*15.7*	*10.5*	*5.2*	-	-	-
Utilities	*4.0*	*2.0*	*2.0*	-	-	-
Technology	*4.2*	*2.1*	*2.1*	-	-	-
Dues	12.5	2.5	2.5	2.5	2.5	2.5
Audit	45.0	9.0	9.0	9.0	9.0	9.0
Insurance	7.5	1.5	1.5	1.5	1.5	1.5
Total operating costs	457.1	97.0	96.1	93.0	88.0	83.0
Total expenses:	1,405.7	321.3	320.4	314.5	304.5	145.0
Ending fund balance		346.4	226.3	112.1	7.9	63.2

TABLE 5: TREND LINE OF REVENUES AND EXPENDITURES – NO AUGMENTATION



	2014/15	2015/16	2016/17	2017/18	2018/19
Revenues	$667.7	$546.7	$426.6	$312.4	$208.2
Programs/Services	$229.4	$229.4	$229.7	$222.5	$71.2
Evaluation	$25.0	$29.4	$31.5	$29.7	$23.5
Administration	$66.9	$61.6	$53.3	$52.3	$50.3

TABLE 6: EXPENDITURES BY CATEGORY AS PERCENT OF TOTAL EXPENDITURES

Percentage of Expenditures by Category	2014/15	2015/16	2016/17	2017/18	2018/19
Programs/Services	71.4%	71.6%	73.0%	73.1%	49.1%
Administration	20.8%	19.2%	17.0%	17.2%	34.7%
Evaluation	7.8%	9.2%	10.0%	9.8%	16.2%
	100.0%	100.0%	100.0%	100.0%	100.0%