

# AGENDA

## SPECIAL JOINT MEETING OF THE BOARD OF COMMISSIONERS AND THE BUDGET & FINANCE AND EXECUTIVE COMMITTEES

Budget & Finance Committee Chair: Robert Byrd

Monday, January 23, 2017  
3:00 PM

Meeting Location:  
First 5 LA  
750 N. Alameda Street  
Los Angeles, CA 90012



# ASPOSE

Your File Format APIs

1. **ACTION**  
Call to Order  
- Nancy Au, Chair
2. **INFORMATION** 3  
Review Special Meeting of the Budget and Finance Committee  
Notes – September 28, 2016  
- Nancy Au, Chair
3. **INFORMATION** 9  
Monthly Financial Statements  
- Raoul Ortega, Finance Director
4. **INFORMATION** 20  
Long Term Financial Projection  
- Daisy Lopez, Budget Manager
5. **INFORMATION** 46  
FY 2017-18 Budget Calendar  
- Raoul Ortega, Finance Director
6. **INFORMATION**  
Public Comment
7. **ACTION**  
Adjournment

#### COMMISSIONERS

Los Angeles County Supervisor	Judy Abdo	Summer McBride
Holly J. Mitchell	Robert Byrd, Psy.D	Maricela Ramirez
<i>Chair</i>	Astrid Heger, M.D.	Carol Sigala
Brandon Nichols	Yvette Martinez	
<i>Vice Chair</i>		

#### EX OFFICIO MEMBERS

Barbara Ferrer, Ph.D.,  
M.P.H., M.Ed.  
Jacquelyn McCroskey, DSW  
Deanne Tilton

#### EXECUTIVE DIRECTOR

Karla Pleitez Howell

#### EXECUTIVE VICE PRESIDENT

John A. Wagner

#### A PUBLIC ENTITY



SUMMARY MEETING NOTES

FIRST 5 LA  
SUMMARY MEETING NOTES  
Special Meeting of the Budget & Finance Committee  
September 28, 2016  
11:00 am –12:30 pm

**COMMITTEE MEMBERS PRESENT:**

Nancy Au (Chair)  
Jane Boeckmann  
Dayton Gilleland  
Marlene Zepeda (Vice-Chair)

**COMMITTEE MEMBERS ABSENT:**

NONE

**STAFF PRESENT:**

Christina Altmayer, VP of Programs  
Kim Belshé, Executive Director  
Carl Gayden, Senior Director of Administration  
Faustino Genio, Staff Accountant  
Bill Gould, Program Officer, Program Development  
Daisy Lopez, Budget Manager  
Raoul Ortega, Finance Director  
Alison Mendes, Finance Manager  
Linda Vo, Board Secretary  
John Wagner, Chief Operating Officer

**1. Call to Order/Roll Call**

The meeting was called to order by Committee Chair Au at 11:02 am. Roll call completed.

**2. Review of Meeting Notes – Special Meeting of the Budget and Finance Committee, May 24, 2016**

Meeting notes were received and filed with no deletions and/or additions.

**3. Program Expenditures Review - Parent Child Interaction Therapy (PCIT)**

Mr. Gould begins his presentation by showing a video on how PCIT is taught and then applied by parents. He then explains to the Committee that about \$17 million was allocated to DMH for this program.

Current Financial Status

Training year	DMH Contracted Budget	DMH Actual Invoices	Percentage spent
FY 12/13	\$2,961,548	\$961,952	32%
FY 13/14	\$3,182,610	\$1,530,120	48%
FY 14/15	\$3,799,251	\$1,043,082	28%
FY 15/16	\$3,865,380	*\$1,413,207	37%
FY 16/17	\$6,149,186	N/A	N/A

Total Spent \$4,948,361 to date

**SUMMARY MEETING NOTES**

He then informs the Committee that about \$3 million was allocated to UC Davis CAARE Center for this program.

Current Financial Status

<b>Training year</b>	<b>UC Davis Contracted Budget</b>	<b>UC Davis Actual Invoices</b>	<b>Percentage spent</b>
<b>FY 12/13</b>	<b>\$612,851</b>	<b>\$280,946</b>	<b>46%</b>
<b>FY 13/14</b>	<b>\$1,282,245</b>	<b>\$812,269</b>	<b>63%</b>
<b>FY 14/15</b>	<b>\$873,114</b>	<b>\$728,048</b>	<b>83%</b>
<b>FY 15/16</b>	<b>\$774,128</b>	<b>\$641,401</b>	<b>83%</b>
<b>FY 16/17</b>	<b>\$510,441</b>	<b>N/A</b>	<b>N/A</b>

Total Spent \$2,462,664 to date

Mr. Gould goes through the history of PCIT and informs the Committee that PCIT works with parents and children together to improve the quality of the parent-child relationship and to teach parents the skills necessary to manage their child's severe behavior problems. PCIT has also been shown to successfully reduce trauma symptoms of abused or maltreated children.

Mr. Gould explains that the First 5 LA PCIT Initiative has numerous programmatic objectives which include:

- Expand the number of agency sites and create a network of service providers that deliver PCIT services throughout Los Angeles County.
- Increase the number of PCIT certified clinicians throughout LA County.
- Develop and enhance referral streams for eligible young children to local PCIT provider agencies.
- Increase access to PCIT for children ages 2-5 years.
- Demonstrate clinically significant decline in the intensity of maladaptive behaviors among the children served and improved parent/caregiver outcomes.
- Developing a self-sustaining network of PCIT training and services.

Finally, Mr. Gould goes through the reasons for the unanticipated spending rate reflected in the Financial Reports.

1. DMH Medi-Cal/EPSTD match:
  - Each year funds are used for the purpose of obtaining Federal Medi-Cal/EPSTD matching dollars. This match amount has been higher than originally anticipated. The DMH match allowable amount is provided by the State towards the latter part of the calendar year after each fiscal year closes.
2. Development of allocation:
  - First 5 LA Staff were not involved in creating assumptions of the initiative allocation and therefore a realistic budget was not created for this project.
3. Advanced Training Only in FY12-13:
  - In the first year (nine months) of the project (FY 12-13) new provider training did not occur due to delays in start-up.13 advanced training to existing PCIT providers occurred in this period only.
  - UC Davis and DMH have an MOU to work collaboratively together throughout the life of the project, meaning one organization cannot function without the other. UC Davis has the responsibility for providing training in the First 5 LA PCIT Training Project. DMH provides staff support to plan, develop, implement and coordinate PCIT activities.

## SUMMARY MEETING NOTES

- Overtime, due to the changes in scope to incorporate more depth activities, UC Davis spending was higher than originally anticipated.

There is no further discussion on this item.

#### 4. Monthly Financial Statements

Ms. Mendes goes over the current monthly financial statements for the month ending August 31, 2016. She noted that these were already presented to and approved by the Commission earlier in the month of September. She then highlighted some of the transactions for the month of August. First 5 LA started the month with a cash balance of approximately \$460 M and had \$370k in total revenue.

She goes on to explain that there was about \$1.6 million out the door in operating expenditures, \$777,672 in program expenditures, and \$207,330 in pass-through expenditures. As a result, First 5 LA ended the month with a cash balance of \$458.6 million.

There is no further discussion on this item.

#### 5. Review Draft of the Comprehensive Annual Financial Report (CAFR), Including the Independent Auditor's Report for the Fiscal Year Ending June 30, 2016

Mr. Ortega kicks off the presentation by reminding the Committee members of what a CAFR is and informs the Committee that the goals of the presentation are as follows:

1. Achievements
2. Independent Auditor's Report
3. Changes to the presentation of the Financial Statements
4. FY 2015-16 Highlights
5. Fund Balance
6. 3 Year comparisons
7. Next Steps

Mr. Ortega now hands off the presentation to Mr. Genio.

Mr. Genio informs the Committee that the CPA firm, Vavrinek, Trine, Day & Co. noted the financial statements from First 5 LA are presented fairly, which represents a clean audit. He says that there were no adjusting entries required nor were there any findings or observations.

He did note that for the Eighth consecutive year, First 5 LA received the Certificate of Achievement for Excellence in Financial Reporting for FY 2014-15 from Government Finance Officers Association (GFOA).

Mr. Genio continues his presentation and states that there were some changes to the presentation of the financial report. "Other program revenue" was added to the revenue section of the Income Statement.

Mr. Genio notes some other highlights for FY 2015-16:

#### Revenue:

Total revenue of \$107.96 million,

- \$87.94 million is for tobacco tax
- \$5.80 million is for State Commission Program funds
- \$9.00 million is for Partnership for Families
- \$3.80 million is for investment income (.83% rate of return)

**SUMMARY MEETING NOTES**

**Expenditures:**

Total expenditures of \$190.26 million:

- Program expenditures = \$159.34 million or 83.75%
- Operating expenditures = \$17.40 million or 9.15%
- Pass-through expenditures = \$13.52 million or 7.11%

**Budget to Actual Expenditures:**

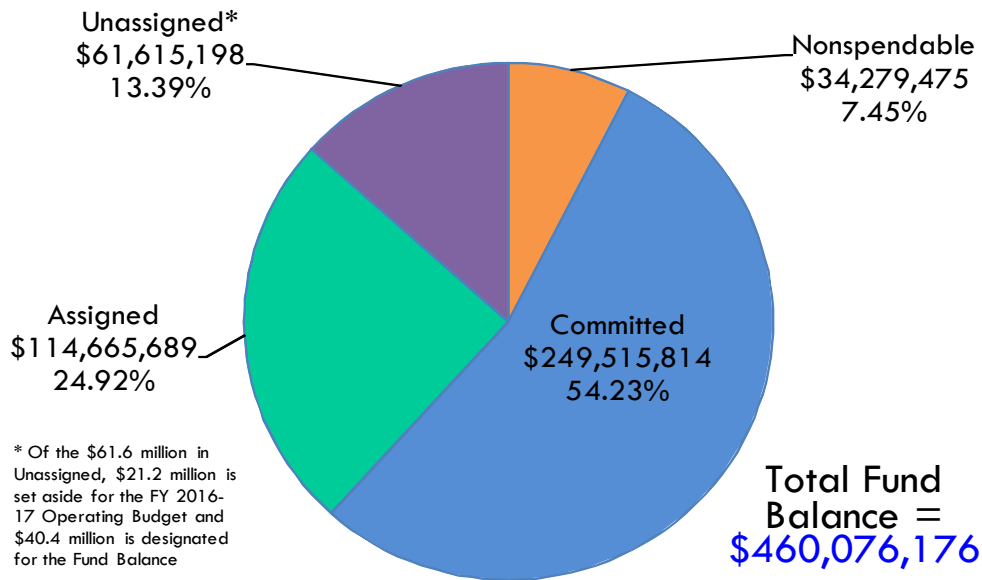
- Program expenditures = \$159.34 million or 80.69% of the revised program budget of \$197.46 million
- Operating expenditures = \$17.40 million or 83.68% of the operating budget of \$20.79 million
- Total expenditures of \$176.74 million or 80.98% of the total budget of \$218.25 million

**Fund Balance:**

- Fund Balance as of June 30, 2016 = \$460.07 million
  - Decrease of \$76.60 million or 14.27% from prior year

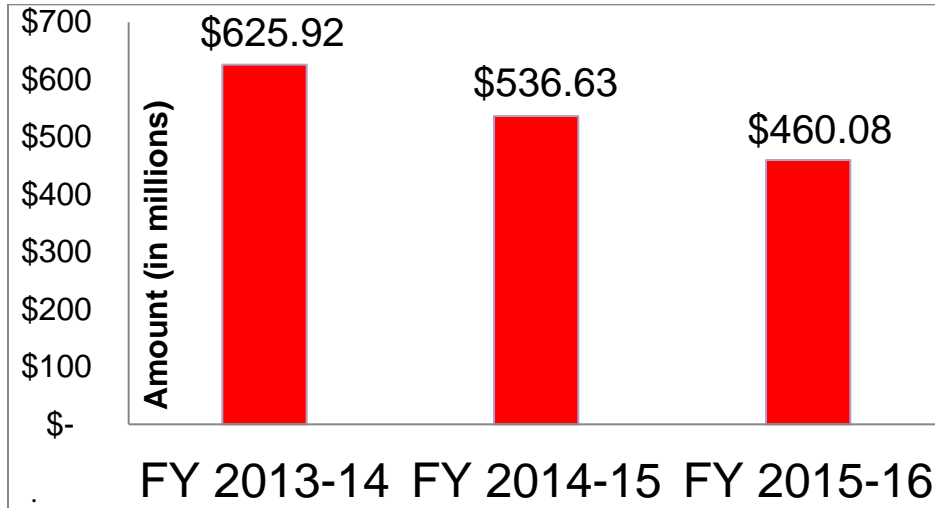
Mr. Genio continues his presentation by explaining the following charts:

The Chart below is the fund balance as of June 30, 2016.

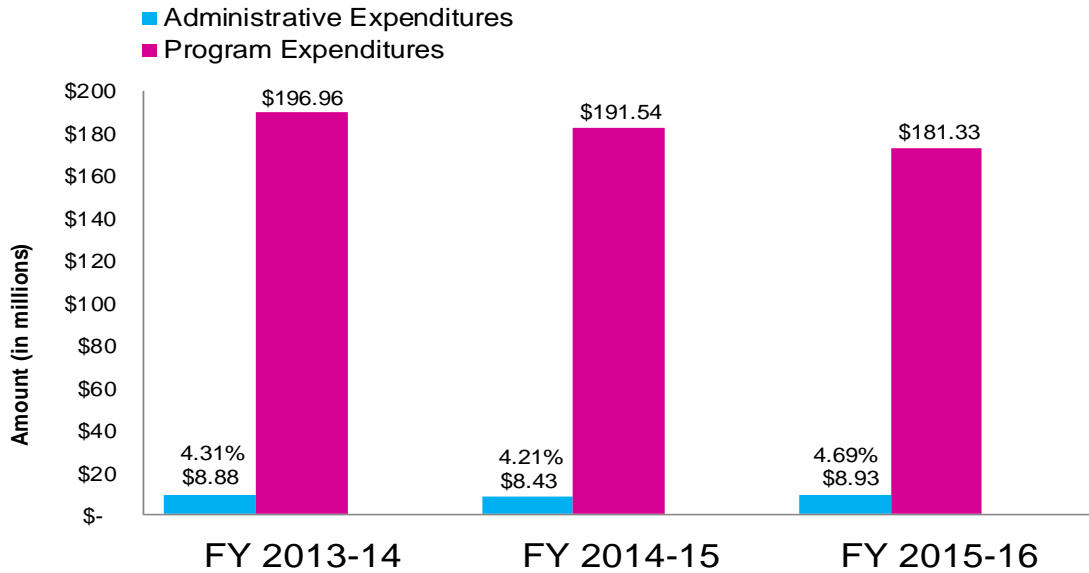


**3-year Comparison: Fund Balance**

SUMMARY MEETING NOTES



3 Year Comparison: Program and Administrative Expenditures



Regarding next steps, Mr. Genio informs the Committee that staff plan on presenting this CAFR presentation at the following meetings:

- Program and Planning Committee (Info)
- Executive Committee (Info)
- Board of Commissioners (approval)

After approval, the CAFR would then be submitted to the State Controller's office as well as to First 5 CA.

Once this is done, staff will come back to the Committee with an updated Long term financial projection.

There is no further discussion on this item.

**SUMMARY MEETING NOTES**

**6. Public Comment**

No public comment.

**ADJOURNMENT:**

The meeting was adjourned at 12:08 pm.

**NEXT MEETING:**

The next Budget and Finance Committee meeting will take place on Monday, January 23, 2017 at 3:00 pm.

First 5 LA  
Conference Room B, First Floor  
750 N. Alameda Street  
Los Angeles, CA 90012

Summary minutes were recorded by Linda Vo, Secretary of the Board of Commissioners.

## FIRST 5 LA

### **SUBJECT:**

Monthly Financial Reports

### **RECOMMENDATION:**

Approval of the monthly financial statements for the months ending October 31, 2016 and November 30, 2016.

### **BACKGROUND:**

Staff provides monthly financial reports for the Commission's review and approval to ensure transparency of the financial status of First 5 LA.

### **DISCUSSION:**

#### **October 31, 2016**

First 5 LA began the month with a cash balance of \$452.6 million. During the month of October 2016, we received \$15.0 million in revenues (July and August revenues). We had \$3.7 million in program expenditures, \$536,197 in pass-through expenditures and \$1.5 million in operating expenditures. As a result, First 5 LA ended the month with a cash balance of \$461.9 million.

#### **November 30, 2016**

First 5 LA began the month with a cash balance of \$461.9 million. During the month of November 2016, we received \$9.2 million in revenues (September revenues). We had \$8.9 million in program expenditures, \$535,991 in pass-through expenditures and \$1.4 million in operating expenditures. As a result, First 5 LA ended the month with a cash balance of \$460.4 million.

This report includes detailed financial information for the months ending October 31, 2016 and November 30, 2016. The financial statements are unaudited and reported as a "soft close." All materials in this packet and check registers are available online. Statements in this report include the following:

- Revenue and Expense Statement: Summarizes financial statements to highlight the starting cash balance, revenues received, program and operating expenses, and the ending cash balance for the month.
- Balance Sheet: Provides a "snapshot" view of the Commission's assets, liabilities and fund balance as of October 31, 2016 and November 30, 2016.
- Detailed operating and program expenditures: Shows expenses against the FY 2016-17 Budget approved on June 09, 2016, concluding with a report of expenditures related to programs functioning as pass-through agreements.

Los Angeles County Children and Family First -  
Proposition 10 Commission (aka) First 5 LA  
Revenue and Expense Statement  
October 31, 2016, Unaudited

	REVENUES AND EXPENDITURES	FISCAL YTD EXPENDITURES/ BUDGET %
<b>Cash Balance as of September 30, 2016</b>	<b>\$ 452,637,657</b>	
<b>Revenue</b>		
Monthly State Allotments	\$ 14,752,140	(1)
State Commission Matching Grant - Cares Program	-	
Medi-Cal Administrative Activities (MAA)	-	
State Commission - Other Program Funds	-	
Interest Income - Unreserved	278,086	
Investment Income - Other	-	
Rental Revenue - La Petite	9,363	
Partnerships for Families (PFF) - LA County Dept. of Children and Family Services (DCFS)	-	
ECE-LA County IMPACT	-	
<b>Total Revenue</b>	<b>\$ 15,039,590</b>	
<b>Expenses</b>		
<b>Program Budget (Attachment A)</b>		
2015-2020 Strategic Plan: Focusing For The Future	\$ 2,151,812	5%
Legacy Investments	1,341,445	7%
Research and Evaluation	220,120	6%
<b>Total Initiative/Program Expenses</b>	<b>\$ 3,713,376</b>	<b>6%</b>
<b>Pass-Through (Attachment B)</b>		
Medi-Cal Administrative Activities (MAA)	\$ -	
Partnerships for Families (PFF) - LA County Dept. of Children and Family Services (DCFS)	536,197	
<b>Total Pass-Through Expenses</b>	<b>\$ 536,197</b>	
<b>Operation and Administration (Attachment C)</b>		
Personnel	\$ 1,155,189	29%
General Operating	104,211	32%
Professional Services	111,284	21%
Consultant Services	77,680	19%
Travel & Meetings	25,932	20%
Capital Improvements	1,999	2%
<b>Total Operation and Administration</b>	<b>\$ 1,476,295</b>	<b>28%</b>
<b>Total Expenses</b>	<b>\$ 5,725,868</b>	
<b>Variance (Revenue - Expenses)</b>	<b>\$ 9,313,721</b>	
<b>Cash Balance as of October 31, 2016</b>	<b>\$ 461,951,378</b>	(2)

**NOTE:**

- 1) Tobacco Tax Revenue for July and August 2016.
- 2) Cash Balance excludes fixed assets and liabilities.

**LOS ANGELES COUNTY CHILDREN AND FAMILY FIRST - PROPOSITION 10 COMMISSION (AKA FIRST 5 LA)  
PROGRAM EXPENDITURES BY FY 2016-17 BUDGET  
OCTOBER 31, 2016, UNAUDITED**

<b>INITIATIVE/PROGRAM</b>	<b>FY 2016-17 BUDGET*</b>	<b>OCTOBER EXPENDITURES</b>	<b>FISCAL YTD EXPENDITURES</b>	<b>BALANCE REMAINING</b>	<b>FISCAL YTD EXPENDITURE S/BUDGET%</b>
<b>2015-2020 STRATEGIC PLAN: FOCUSING FOR THE FUTURE</b>					
Strategic Plan Priority Outcome Areas					
Families	38,081,000	1,401,447	3,037,273	35,043,727	8%
Communities	18,883,000	422,537	1,245,335	17,637,665	7%
Early Care & Education Systems	24,199,000	63,042	196,086	24,002,914	1%
Health-Related Systems	2,421,000	2,000	73,035	2,347,965	3%
Strategic Plan Investment Areas & Support Costs					
Policy Agenda/Advocacy	2,442,000	217,812	224,986	2,217,014	9%
Communications & Marketing	5,345,000	44,974	95,377	5,249,623	2%
Communications - Conference Funding	300,000	-	-	300,000	0%
<b>Subtotal 2015-2020 Strategic Plan</b>	<b>91,671,000</b>	<b>2,151,812</b>	<b>4,872,092</b>	<b>86,798,908</b>	<b>5%</b>
<b>LEGACY INVESTMENTS</b>					
At-Risk Fathers Investment	299,000	-	-	299,000	0%
Baby Friendly Hospitals	918,000	28,313	28,313	889,687	3%
Black Infant Health	2,203,000	43,406	43,406	2,159,594	2%
Children's Dental Care	8,908,000	362,869	607,593	8,300,407	7%
Children's Vision Care	1,333,000	-	26,651	1,306,350	2%
Early Identification and Intervention - Autism and other Developmental Delays	908,000	81,777	156,327	751,673	17%
Healthy Food Access	1,174,000	90,469	183,089	990,911	16%
Healthy Kids	373,000	42,763	208,206	164,794	56%
Information Resource and Referral	1,260,000	-	98,934	1,161,066	8%
Little by Little/One Step Ahead	3,312,000	-	-	3,312,000	0%
Oral Health & Nutrition - Dental Home	890,000	-	-	890,000	0%
Parent Child Interaction Therapy	3,590,000	-	-	3,590,000	0%
Policy Advocacy Fund	1,263,000	40,864	117,890	1,145,110	9%
Reducing Childhood Obesity	5,133,000	-	-	5,133,000	0%
Resource Mobilization - ECE	800,000	-	-	800,000	0%
Resource Mobilization - Funder Partnership	75,000	-	-	75,000	0%
Resource Mobilization - Health	326,000	-	7,924	318,076	2%
Resource Mobilization - Organizational Capacity Building	125,000	7,061	7,061	117,939	6%
Resource Mobilization - Project Development	250,000	-	-	250,000	0%
Universal Assessment of Newborns	8,451,000	608,770	1,341,984	7,109,016	16%
Workforce Development	555,000	35,152	35,152	519,848	6%
<b>Subtotal Legacy Investments</b>	<b>42,146,000</b>	<b>1,341,445</b>	<b>2,862,530</b>	<b>39,283,470</b>	<b>7%</b>
<b>RESEARCH AND EVALUATION</b>					
Data Development and Integration	861,000	57,786	137,225	723,775	16%
Data Partnership with Funders	900,000	162,334	162,334	737,666	18%
Program Evaluation	4,707,000	-	80,289	4,626,711	2%
<b>Subtotal Research and Evaluation</b>	<b>6,468,000</b>	<b>220,120</b>	<b>379,847</b>	<b>6,088,153</b>	<b>6%</b>
<b>TOTAL</b>	<b>140,285,000</b>	<b>3,713,376</b>	<b>8,114,469</b>	<b>132,170,531</b>	<b>6%</b>

\* The FY 2016-17 Program Budget was approved by the Board of Commissioners on June 09, 2016.

**NOTES -PROGRAM EXPENDITURES BY FY 2016-17 BUDGET:**

Journal entries for FY 2015-16 accrued expenses were reversed in July 2016. The amounts reported are the actual program expenditures for October 2016.

LOS ANGELES COUNTY CHILDREN AND FAMILY FIRST - PROPOSITION 10 COMMISSION (AKA FIRST 5 LA)  
 EXPENDITURES - PASS-THROUGH  
 OCTOBER 31 2016, UNAUDITED

Attachment B

INITIATIVE/PROGRAM - PASS-THROUGH	OCTOBER EXPENDITURES	YEAR TO DATE EXPENDITURES
Medi-Cal Administrative Activities (MAA) - LA County Charges	-	-
Medi-Cal Administrative Activities (MAA) - Participation Payment	-	-
Partnerships For Families - LA County Department of Children and Family Services (DCFS)	536,197	1,501,071
<b>TOTAL</b>	<b>536,197</b>	<b>1,501,071</b>

**Los Angeles County Children and Family First -  
Proposition 10 Commission (aka) First 5 LA  
Operating & Administrative Budget Update  
October 31, 2016, Unaudited**

<b>OPERATION AND ADMINISTRATION EXPENSE</b>	<b>OCTOBER ACTUAL</b>	<b>FISCAL YTD ACTUAL</b>	<b>FY 2016-17 BUDGET</b>	<b>FISCAL YTD VARIANCE</b>	<b>FISCAL YTD/BUDGET %</b>
<b>Personnel Services</b>					
Salaries & Wages	905,584	3,785,377	13,178,557	9,393,180	29%
Fringe Benefits	249,605	1,125,511	3,909,538	2,784,027	29%
<b>Total Personnel Services</b>	<b>1,155,189</b>	<b>4,910,889</b>	<b>17,088,095</b>	<b>12,177,206</b>	<b>29%</b>
<b>General Operating Expenses</b>					
ADP Payroll Charges	2,488	9,606	31,000	21,394	31%
Workers Compensation Insurance	-	76,103	100,000	23,897	76%
Corporate Insurance	29,797	29,797	76,000	46,203	39%
Mileage Expense	4,603	11,341	64,450	53,109	18%
Telephones & Modems	3,306	14,785	35,000	20,215	42%
Printing	2,857	4,630	18,750	14,120	25%
Postage & Delivery	1,100	4,400	13,300	8,900	33%
Office Supplies	5,434	21,432	80,640	59,208	27%
Subscriptions & Publication	30	254	10,060	9,806	3%
Equipment Rental	9,437	33,664	118,200	84,536	28%
Repair & Maintenance - Furniture & Fixtures	15,068	62,472	180,000	117,528	35%
Repair & Maintenance - Equipment	200	269	26,000	25,731	1%
Rents & Lease - Offsite Storage	525	12,223	19,700	7,477	62%
Los Angeles County Overhead	(5,842)	6,096	27,000	20,904	23%
Contingency	13,000	23,000	75,000	52,000	31%
Facilities & Other Supplies	67	3,466	12,150	8,684	29%
Utilities	13,028	60,083	165,000	104,917	36%
Educational Supplies	192	204	1,450	1,246	14%
Cell Phones	3,390	14,677	51,240	36,564	29%
Hardware & Software Maintenance	5,531	31,219	220,600	189,381	14%
<b>Total General Operating Expenses</b>	<b>104,211</b>	<b>419,721</b>	<b>1,325,540</b>	<b>905,820</b>	<b>32%</b>
<b>Professional Services</b>					
Audit and Accounting Fees	25,000	25,000	70,000	45,000	36%
Legal Fees	7,965	18,272	175,000	156,728	10%
Membership Dues	288	21,553	85,052	63,499	25%
Professional Development	4,842	11,737	266,000	254,263	4%
Professional Dues First 5 Association	70,000	70,000	70,000	-	100%
Staff Recruitment	199	1,439	25,000	23,561	6%
Commission Stipends	1,500	4,500	34,000	29,500	13%
Human Resources Related Costs	1,491	12,502	78,000	65,498	16%
<b>Total Professional Services</b>	<b>111,284</b>	<b>165,003</b>	<b>803,052</b>	<b>638,049</b>	<b>21%</b>
<b>Consultant Services</b>					
Consultant Fees	55,108	187,473	1,208,000	1,020,528	16%
Other Professional Fees	21,072	87,583	276,950	189,367	32%
External Reviewers	1,500	1,500	8,000	6,500	19%
<b>Total Consultant Services</b>	<b>77,680</b>	<b>276,556</b>	<b>1,492,950</b>	<b>1,216,395</b>	<b>19%</b>
<b>Travel &amp; Meeting Expenses</b>					
Conferences - Travel & Lodging	7,475	18,665	89,492	70,827	21%
Conference - Registration Fees	3,234	25,383	119,285	93,902	21%
Local Meeting Expenses	5,152	12,392	71,700	59,308	17%
Lodging	7,848	17,906	98,726	80,820	18%
Per Diem	2,224	9,781	51,318	41,537	19%
<b>Total Travel &amp; Meeting Expenses</b>	<b>25,932</b>	<b>84,128</b>	<b>430,521</b>	<b>346,393</b>	<b>20%</b>
<b>Capital Improvements</b>					
Capital Outlay (Equipment Purchases)	1,999	1,999	75,000	73,001	3%
Capital Improvements	-	-	20,000	20,000	0%
<b>Total Capital Improvements</b>	<b>1,999</b>	<b>1,999</b>	<b>95,000</b>	<b>93,001</b>	<b>2%</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>1,476,295</b>	<b>5,858,295</b>	<b>21,235,158</b>	<b>15,376,863</b>	<b>28%</b>

**NOTES - OPERATING & ADMINISTRATIVE BUDGET UPDATE:**

*The administrative expenses are within the maximum authorized under the Board policy.*

\* The FY 2016-17 Operating Budget was approved by the Board of Commissioners on June 09, 2016.

**Los Angeles County Children and Families First -  
Proposition 10 Commission  
Statement of Net Assets  
October 31, 2016 Unaudited**

<b>Assets</b>	
<b>Current Assets:</b>	
Cash	\$ 6,558,253
Cash- Morlin Mgmt Corp	26,950
Investment:	
Operating and Allocated funds	432,205,291
Operating Fund - SRI	-
Advance - LA Care Health Plan	8,046,384
Advance - LAUP	25,320,585
Advance - UCLA Dental Home Project	704,301
Interest Receivable	-
Other Receivables	1,607,374
<b>Total Current Assets</b>	<b><u>\$ 474,469,138</u></b>
<b>Fixed Assets:</b>	
Land	\$ 2,039,000
Building & Improvements	12,076,512
Furniture & Fixtures	627,671
Computer, Software & Accessories	1,779,722
Office Equipment	331,033
Accumulated Depreciation	(5,260,912)
<b>Total Fixed Assets</b>	<b><u>\$ 11,593,026</u></b>
<b>Total Assets</b>	<b><u><u>\$ 486,062,164</u></u></b>
<b>Liabilities and Net Assets</b>	
<b>Current liabilities:</b>	
Other Liabilities	\$ 257,285 (1)
<b>Total Current Liabilities</b>	<b><u>\$ 257,285</u></b>
<b>Net Assets:</b>	
Investment in capital assets	\$ 11,593,026
Restricted	474,211,853
<b>Total Net Assets</b>	<b><u>\$ 485,804,879</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u><u>\$ 486,062,164</u></u></b>

**NOTES:**

(1) Other Liabilities include accounts payable, security deposit from La Petite Academy and other related liabilities.

Los Angeles County Children and Family First -  
Proposition 10 Commission (aka) First 5 LA  
Revenue and Expense Statement  
November 30, 2016, Unaudited

	REVENUES AND EXPENDITURES	FISCAL YTD EXPENDITURES/ BUDGET %
<b>Cash Balance as of October 31, 2016</b>	<b>\$ 461,951,378</b>	
<b>Revenue</b>		
Monthly State Allotments	\$ 8,038,844	(1)
State Commission Matching Grant - Cares Program	-	
Medi-Cal Administrative Activities (MAA)	43,714	
State Commission - Other Program Funds	-	
Interest Income - Unreserved	469,060	
Investment Income - Other	-	
Rental Revenue - La Petite	12,183	
Partnerships for Families (PFF) - LA County Dept. of Children and Family Services (DCFS)	653,293	
ECE-LA County IMPACT	-	
<b>Total Revenue</b>	<b>\$ 9,217,093</b>	
<b>Expenses</b>		
<b>Program Budget (Attachment A)</b>		
2015-2020 Strategic Plan: Focusing For The Future	\$ 4,969,585	11%
Legacy Investments	3,586,072	15%
Research and Evaluation	353,843	11%
<b>Total Initiative/Program Expenses</b>	<b>\$ 8,909,500</b>	<b>12%</b>
<b>Pass-Through (Attachment B)</b>		
Medi-Cal Administrative Activities (MAA)	\$ -	
Partnerships for Families (PFF) - LA County Dept. of Children and Family Services (DCFS)	535,991	
<b>Total Pass-Through Expenses</b>	<b>\$ 535,991</b>	
<b>Operation and Administration (Attachment C)</b>		
Personnel	\$ 1,160,489	36%
General Operating	62,673	36%
Professional Services	23,691	23%
Consultant Services	81,933	24%
Travel & Meetings	32,314	27%
Capital Improvements	401	3%
<b>Total Operation and Administration</b>	<b>\$ 1,361,502</b>	<b>34%</b>
<b>Total Expenses</b>	<b>\$ 10,806,992</b>	
<b>Variance (Revenue - Expenses)</b>	<b>\$ (1,589,899)</b>	
<b>Cash Balance as of November 30, 2016</b>	<b>\$ 460,361,479</b>	<b>(2)</b>

**NOTE:**

- 1) Tobacco Tax Revenue for September 2016.
- 2) Cash Balance excludes fixed assets and liabilities.

**LOS ANGELES COUNTY CHILDREN AND FAMILY FIRST - PROPOSITION 10 COMMISSION (AKA FIRST 5 LA)  
PROGRAM EXPENDITURES BY FY 2016-17 BUDGET  
NOVEMBER 30, 2016, UNAUDITED**

<b>INITIATIVE/PROGRAM</b>	<b>FY 2016-17 BUDGET*</b>	<b>NOVEMBER EXPENDITURES</b>	<b>FISCAL YTD EXPENDITURES</b>	<b>BALANCE REMAINING</b>	<b>FISCAL YTD EXPENDITURE S/BUDGET%</b>
<b>2015-2020 STRATEGIC PLAN: FOCUSING FOR THE FUTURE</b>					
Strategic Plan Priority Outcome Areas					
Families	38,081,000	2,249,608	5,286,881	32,794,119	14%
Communities	18,883,000	2,054,013	3,299,348	15,583,652	17%
Early Care & Education Systems	24,199,000	283,702	479,788	23,719,212	2%
Health-Related Systems	2,421,000	5,410	78,445	2,342,555	3%
Strategic Plan Investment Areas & Support Costs					
Policy Agenda/Advocacy	2,442,000	120,834	345,820	2,096,180	14%
Communications & Marketing	5,345,000	236,568	331,945	5,013,055	6%
Communications - Conference Funding	300,000	19,450	19,450	280,550	6%
<b>Subtotal 2015-2020 Strategic Plan</b>	<b>91,671,000</b>	<b>4,969,585</b>	<b>9,841,677</b>	<b>81,829,323</b>	<b>11%</b>
<b>LEGACY INVESTMENTS</b>					
At-Risk Fathers Investment	299,000	-	-	299,000	0%
Baby Friendly Hospitals	918,000	92,835	121,148	796,852	13%
Black Infant Health	2,203,000	77,080	120,486	2,082,514	5%
Children's Dental Care	8,908,000	953,759	1,561,352	7,346,648	18%
Children's Vision Care	1,333,000	470,859	497,509	835,491	37%
Early Identification and Intervention - Autism and other Developmental Delays	908,000	90,575	246,902	661,098	27%
Healthy Food Access	1,174,000	85,544	268,632	905,368	23%
Healthy Kids	373,000	-	208,206	164,794	56%
Information Resource and Referral	1,260,000	299,588	398,523	861,477	32%
Little by Little/One Step Ahead	3,312,000	-	-	3,312,000	0%
Oral Health & Nutrition - Dental Home	890,000	-	-	890,000	0%
Parent Child Interaction Therapy	3,590,000	131,583	131,583	3,458,417	4%
Policy Advocacy Fund	1,263,000	63,350	181,240	1,081,760	14%
Reducing Childhood Obesity	5,133,000	-	-	5,133,000	0%
Resource Mobilization - ECE	800,000	-	-	800,000	0%
Resource Mobilization - Funder Partnership	75,000	45,000	45,000	30,000	60%
Resource Mobilization - Health	326,000	37,602	45,526	280,474	14%
Resource Mobilization - Organizational Capacity Building	125,000	2,167	9,228	115,772	7%
Resource Mobilization - Project Development	250,000	-	-	250,000	0%
Universal Assessment of Newborns	8,451,000	1,149,288	2,491,272	5,959,728	29%
Workforce Development	555,000	86,843	121,995	433,005	22%
<b>Subtotal Legacy Investments</b>	<b>42,146,000</b>	<b>3,586,072</b>	<b>6,448,602</b>	<b>35,697,398</b>	<b>15%</b>
<b>RESEARCH AND EVALUATION</b>					
Data Development and Integration	861,000	82,485	219,710	641,290	26%
Data Partnership with Funders	900,000	28,164	190,498	709,502	21%
Program Evaluation	4,707,000	243,194	323,483	4,383,517	7%
<b>Subtotal Research and Evaluation</b>	<b>6,468,000</b>	<b>353,843</b>	<b>733,690</b>	<b>5,734,310</b>	<b>11%</b>
<b>TOTAL</b>	<b>140,285,000</b>	<b>8,909,500</b>	<b>17,023,969</b>	<b>123,261,031</b>	<b>12%</b>

\* The FY 2016-17 Program Budget was approved by the Board of Commissioners on June 09, 2016.

**NOTES -PROGRAM EXPENDITURES BY FY 2016-17 BUDGET:**

Journal entries for FY 2015-16 accrued expenses were reversed in July 2016. The amounts reported are the actual program expenditures for November 2016.

LOS ANGELES COUNTY CHILDREN AND FAMILY FIRST - PROPOSITION 10 COMMISSION (AKA FIRST 5 LA)  
 EXPENDITURES - PASS-THROUGH  
 NOVEMBER 30 2016, UNAUDITED

Attachment B

INITIATIVE/PROGRAM - PASS-THROUGH	NOVEMBER EXPENDITURES	YEAR TO DATE EXPENDITURES
Medi-Cal Administrative Activities (MAA) - LA County Charges	-	-
Medi-Cal Administrative Activities (MAA) - Participation Payment	-	-
Partnerships For Families - LA County Department of Children and Family Services (DCFS)	535,991	2,037,062
<b>TOTAL</b>	<b>535,991</b>	<b>2,037,062</b>

**Los Angeles County Children and Family First -  
Proposition 10 Commission (aka) First 5 LA  
Operating & Administrative Budget Update  
November 30, 2016, Unaudited**

OPERATION AND ADMINISTRATION EXPENSE	NOVEMBER ACTUAL	FISCAL YTD ACTUAL	FY 2016-17 BUDGET	FISCAL YTD VARIANCE	FISCAL YTD/BUDGET %
<b>Personnel Services</b>					
Salaries & Wages	905,359	4,690,736	13,178,557	8,487,821	36%
Fringe Benefits	255,131	1,380,642	3,909,538	2,528,896	35%
<b>Total Personnel Services</b>	<b>1,160,489</b>	<b>6,071,378</b>	<b>17,088,095</b>	<b>11,016,717</b>	<b>36%</b>
<b>General Operating Expenses</b>					
ADP Payroll Charges	3,417	13,023	31,000	17,977	42%
Workers Compensation Insurance	-	76,103	100,000	23,897	76%
Corporate Insurance	-	29,797	76,000	46,203	39%
Mileage Expense	5,045	16,386	64,450	48,064	25%
Telephones & Modems	2,213	16,998	35,000	18,002	49%
Printing	-	4,630	18,750	14,120	25%
Postage & Delivery	1,100	5,500	13,300	7,800	41%
Office Supplies	3,725	25,157	80,640	55,483	31%
Subscriptions & Publication	453	707	10,060	9,353	7%
Equipment Rental	8,552	42,217	118,200	75,983	36%
Repair & Maintenance - Furniture & Fixtures	14,448	76,920	180,000	103,080	43%
Repair & Maintenance - Equipment	-	269	26,000	25,731	1%
Rents & Lease - Offsite Storage	525	12,748	19,700	6,952	65%
Los Angeles County Overhead	-	6,096	27,000	20,904	23%
Contingency	-	23,000	75,000	52,000	31%
Facilities & Other Supplies	5,735	9,200	12,150	2,950	76%
Utilities	12,252	72,335	165,000	92,665	44%
Educational Supplies	50	253	1,450	1,197	17%
Cell Phones	2,400	17,077	51,240	34,164	33%
Hardware & Software Maintenance	2,757	33,977	220,600	186,623	15%
<b>Total General Operating Expenses</b>	<b>62,673</b>	<b>482,393</b>	<b>1,325,540</b>	<b>843,147</b>	<b>36%</b>
<b>Professional Services</b>					
Audit and Accounting Fees	10,080	35,080	70,000	34,920	50%
Legal Fees	7,127	25,398	175,000	149,602	15%
Membership Dues	1,180	22,733	85,052	62,319	27%
Professional Development	1,104	12,841	266,000	253,159	5%
Professional Dues First 5 Association	-	70,000	70,000	-	100%
Staff Recruitment	-	1,439	25,000	23,561	6%
Commission Stipends	4,200	8,700	34,000	25,300	26%
Human Resources Related Costs	-	12,502	78,000	65,498	16%
<b>Total Professional Services</b>	<b>23,691</b>	<b>188,694</b>	<b>803,052</b>	<b>614,358</b>	<b>23%</b>
<b>Consultant Services</b>					
Consultant Fees	60,511	247,984	1,208,000	960,016	21%
Other Professional Fees	21,422	109,005	276,950	167,945	39%
External Reviewers	-	1,500	8,000	6,500	19%
<b>Total Consultant Services</b>	<b>81,933</b>	<b>358,489</b>	<b>1,492,950</b>	<b>1,134,461</b>	<b>24%</b>
<b>Travel &amp; Meeting Expenses</b>					
Conferences - Travel & Lodging	7,533	26,198	89,492	63,294	29%
State Prop 10 Commission Activities	989	989	-	(989)	
Conference - Registration Fees	6,769	32,152	119,285	87,133	27%
Local Meeting Expenses	6,131	18,523	71,700	53,177	26%
Lodging	5,993	23,899	98,726	74,827	24%
Per Diem	4,899	14,681	51,318	36,637	29%
<b>Total Travel &amp; Meeting Expenses</b>	<b>32,314</b>	<b>116,442</b>	<b>430,521</b>	<b>314,079</b>	<b>27%</b>
<b>Capital Improvements</b>					
Capital Outlay (Equipment Purchases)	401	2,400	75,000	72,600	3%
Capital Improvements	-	-	20,000	20,000	0%
<b>Total Capital Improvements</b>	<b>401</b>	<b>2,400</b>	<b>95,000</b>	<b>92,600</b>	<b>3%</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>1,361,502</b>	<b>7,219,796</b>	<b>21,235,158</b>	<b>14,015,362</b>	<b>34%</b>

**NOTES - OPERATING & ADMINISTRATIVE BUDGET UPDATE:**

*The administrative expenses are within the maximum authorized under the Board policy.*

\* The FY 2016-17 Operating Budget was approved by the Board of Commissioners on June 09, 2016.

**Los Angeles County Children and Families First -  
Proposition 10 Commission  
Statement of Net Assets  
November 30, 2016 Unaudited**

<b>Assets</b>		
<b>Current Assets:</b>		
Cash	\$	381,708
Cash- Morlin Mgmt Corp		26,950
Investment:		
Operating and Allocated funds		435,200,927
Operating Fund - SRI		-
Advance - LA Care Health Plan		8,046,384
Advance - LAUP		25,320,585
Advance - UCLA Dental Home Project		776,697
Interest Receivable		-
Other Receivables		1,607,374
<b>Total Current Assets</b>	<b>\$</b>	<b><u>471,360,625</u></b>
<b>Fixed Assets:</b>		
Land	\$	2,039,000
Building & Improvements		12,076,512
Furniture & Fixtures		627,671
Computer, Software & Accessories		1,779,722
Office Equipment		331,033
Accumulated Depreciation		(5,260,912)
<b>Total Fixed Assets</b>	<b>\$</b>	<b><u>11,593,026</u></b>
<b>Total Assets</b>	<b>\$</b>	<b><u><u>482,953,651</u></u></b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities:</b>		
Other Liabilities	\$	264,315 (1)
<b>Total Current Liabilities</b>	<b>\$</b>	<b><u>264,315</u></b>
<b>Net Assets:</b>		
Investment in capital assets	\$	11,593,026
Restricted		471,096,310
<b>Total Net Assets</b>	<b>\$</b>	<b><u>482,689,336</u></b>
<b>Total Liabilities and Net Assets</b>	<b>\$</b>	<b><u><u>482,953,651</u></u></b>

**NOTES:**

(1) Other Liabilities include accounts payable, security deposit from La Petite Academy and other related liabilities.

# **First 5 LA**

## **Long Term Financial Projection**

**FY 2017 – 2021**

## **I. Introduction: Purpose of the Long Term Financial Projection**

This updated FY 2017-2021 Long Term Financial Projection (LTFP) is intended to support the financial stewardship role of the Los Angeles County Children and Families First Proposition 10 Commission (“Commission”) by providing a framework that shows the long-term implications of fiscal actions. It includes a multi-year outlook of anticipated expenditures of allocated funds, as well as annual operating and program demands against forecasted revenue.

The LTFP is presented to the Commission in advance of the annual budget process in order to provide context in which funding decisions will be made. The July 1, 2016 through June 30, 2021 period covered by this update includes the remaining four years of the current 2015-2020 Strategic Plan and the first year of the next Strategic Plan.

Specifically, the updated LTFP utilizes the following overarching approach:

- Uses the July 1, 2016 audited fund balance as a starting point;
- Includes updated revenue forecasts based on the most current available data;
- Includes spending estimates for the core activities highlighted in the 2015-2020 Strategic Plan, as well as other activities that are in support of the Strategic Plan work;
- Projects expenditures for all initiatives approved by the Commission, including those that have received a multi-year allocation and legacy investments that have received a multi-year award; and
- Forecasts ending fund balance for each fiscal year through June 30, 2021.

**It is important to note that the LTFP does not formally obligate or commit any funds and is not a spending plan—funds must be committed as part of the annual budget process approved by the Board or through a Resolution that specifically allocates funds for an initiative or program in a manner consistent with the Governance Guidelines.**

In sum, the LTFP serves as:

- A framework and context for considering specific budget and/or funding requests by providing a multi-year forecast of the revenue, program and operating expenses, and fund balance;
- An annually updated planning tool that informs the Commission of potential alternatives and highlights important long-term strategic financial decisions; and
- A catalyst for future Commission planning and action. The multi-year perspective should inform the Commission of upcoming decisions and help to set the timing for future actions.

## **II. Methodology/Approach**

This LTFP represents a collaborative effort between Finance and Program staff throughout the organization. Staff used the FY 2016-17 Budget and actual expenditures from FY 2015-16 as a baseline to forecast programmatic expenditures through FY 2020-21.

The LTFP was developed using the following approach and methods:

- The baseline year is the approved FY 2016-17 Budget. However, where sufficient information was available to adjust anticipated expenditures from the amounts initially budgeted for FY 2016-17, these figures were updated appropriately. The overall net effect of

these adjustments was a decrease of approximately \$3.4 million to anticipated spending for FY 2016-17. However, it's important to point out the mid-year budget adjustment process is currently underway, and figures may change from what was utilized in this LTFP if further information becomes available. Staff will return to the Board in March 2017 to present the detail of all mid-year adjustments to the FY 2016-17 budget figures.

- As part of the action taken to approve the FY 2016-17 Budget in June 2016, the Commission reauthorized multi-year commitments and allocations. This schedule of commitments and allocations, known as the GASB 54 schedule, was approved by formal Resolution and designates funds for those specific purposes as directed by the Commission. Final year-end balances for these commitments are available in First 5 LA's annual official audit, the Comprehensive Annual Financial Report (CAFR), for the fiscal year ending June 30, 2016.
- The LTFP includes forecasts for program and operating expenses as follows:
  - Initiative Allocations – As indicated above, the Commission has approved multi-year allocations for specific legacy initiatives. Staff conducted analyses to forecast spending over the approved funding term for each initiative.
  - Annual Program Demands – Other initiatives have not received a multi-year allocation, but were identified as priority strategies, activities or approaches in the 2015-2020 Strategic Plan. Funding for both legacy investments with multi-year awards and 2015-2020 Strategic Plan activities is a demand against annual revenue and the fund balance.
  - Operating Expenses – Projections include cost estimates for operating the Commission and associated staffing. Because the organization is currently undergoing a transition to an operating structure that best supports the work of the Commission moving forward, staff anticipates that changes will occur to the resource requirements projected for operating purposes. Analysis is underway and will continue during the organizational transformation process to more reliably project how changes in the organization's operating approach might affect costs. The administrative portion of the Operating Budget, sometimes referred to as the "administrative cap," is assumed to be within the limit of overall spending approved annually as currently defined by Commission policy.

### **III. Assumptions**

Compared with the long-term projections prepared and approved in previous fiscal years, this updated LTFP incorporates a few modifications of note to the overall assumptions, each of which is discussed in more detail below:

1. While the source of the projected Proposition 10 Tobacco Tax revenue remains the same, the updated data suggests a fairly level rate of decline, from an average decline of 4.4% per year to an updated rate of decline of approximately 4.34% each fiscal year. This continued decline is primarily due to declining sales of tobacco products, the decline in birth rates for Los Angeles County, and administrative fees assessed by the State Board of Equalization for the collection of tobacco taxes. This analysis does not include revenue assumptions based on recently approved propositions, for which the impacts to Commission revenue are still unknown. The new legislation does have implications for Proposition 10 tax revenue, but does not change or amend the language of Proposition 10 itself.
2. After one full year of the 2015-2020 Strategic Plan, updated information on implementation status of the Plan's strategies and activities shifted more costs to the latter years of the Plan, resulting in a revised spending trajectory for these activities. In addition, resource estimates for the Plan activities within each of the four primary outcome areas were updated to reflect additional information gained over the last year. While the LTFP has relied in previous years on the high-end estimates endorsed as part of the Plan's approval in November 2014, the

figures in the current LTFP may represent lower amounts in some areas, informed by actual expenditures. However, it is important to keep in mind that these expenditures, though actual, are still early on in the implementation of our current Strategic Plan.

3. Additional resources are included for activities that do not have committed multi-year allocations—such as policy/advocacy and marketing/communications activities—but for which resources will be needed to support anticipated activities that align to the goals and approaches established in the 2015-2020 Strategic Plan. General resources are included in the LTFP, which assumes that these resources will be approved each year as part of the annual budget.
4. Because the current LTFP extends a year beyond the 2015-2020 Strategic Plan, high-level assumptions were made to account for expenditures in the first year of the next Strategic Plan. Since insufficient information is known at this time to indicate what the status of 2015-2020 Strategic Plan strategies will be, how our current priorities and vision will be aligned to the Commission's next Strategic Plan, or what role the Commission will be playing with respect to these priorities in the future, it was assumed that spending levels for FY 2020-21 remain relatively consistent with those projected for FY 2019-20.
5. The LTFP methodology assumes that operating costs will increase slightly each year due to standard salary and benefit increases (estimated at 2% each year), as well as inflation of the cost of goods and services (estimated at 1% each year). Staff recognizes that operating requirements will change, as the Commission transitions fully to the 2015-2020 Strategic Plan activities and shifts to a revised operating structure that best supports the work of the Commission moving forward. Relatedly, one-time capital improvement costs are assumed for FY 2017-18 to account for updates and anticipated modifications to the building and workspaces to support the new operating structure.

#### **A. Beginning Fund Balance**

The FY 2016-17 beginning fund balance utilized in the LTFP reflects the ending fund balance per the CAFR for the fiscal year ending June 30, 2016. Beginning fund balance in future years is calculated based on projected revenue and expenditures for the year prior.

#### **B. Revenue**

The Commission is funded through the Proposition 10 Tobacco Tax, 80% of which is distributed to the County Commissions based on their proportion of statewide births. Los Angeles County receives the greatest share, representing approximately 26% of the total County allocations. Tobacco tax revenue, projected to be roughly \$87.0 million in FY 2016-17, is anticipated to continue declining in future years based on the most recent June 2016 estimate from the State Department of Finance (DOF), which forecasts an average annual decline of approximately 4.34% in tobacco tax revenue. This continued decline is primarily due to declining sales of tobacco products, the decline in birth rates for Los Angeles County, and administrative fees assessed by the State Board of Equalization for the collection of tobacco taxes.

As previously noted, this analysis does not include revenue assumptions based on recently approved propositions, for which the impacts to Commission revenue are still unknown. In addition, staff will continue to monitor and assess the impacts of ongoing changes to the political landscape, such as state-level legislation affecting tobacco tax revenue or federal legislative changes such as modifications to the Affordable Care Act.

Interest earnings are projected based off the average rate of return on anticipated cash balances for FY 2015-16 of 1.02%, with assumptions made for improving market conditions across the years

reflected in the LTFP. Interest earnings for FY 2016-17 are projected at approximately \$4.2 million. Lease revenue of approximately \$157,000 is also expected for FY 2016-17 grounded on the negotiated lease agreement for the preschool occupying space on the first floor of the Commission building. Based on the terms of the agreement, lease revenue is assumed to increase by a maximum of 2% per year across the timeframe covered by the LTFP. In addition, the Other Revenue category also includes IMPACT funding being received by First 5 LA from First 5 California, the bulk of which will be received in FY 2018-19 and FY 2019-20.

### **C. Program Expenditure Assumptions – 2015-2020 Strategic Plan Activities**

As part of the strategic planning process, staff developed resource estimates for the 2015-2020 Strategic Plan strategies that ranged from low to high estimates depending on the role that the Commission decided to take in the implementation of these strategies. Consistent with the approved 2015-2020 Strategic Plan, the high resource estimates were utilized as the baseline for current long-term projections based on the assumption that the Commission will take a leadership role in robustly implementing the Plan's strategies to achieve the greatest impact. Continued refinement of these resource estimates will occur as implementation of the Plan's strategies and activities moves forward. Although there were a number of areas where the resource projections for 2015-2020 Strategic Plan activities were refined and lowered from the initial high-end estimates, not enough information was available in some cases to support overall changes to resource requirements for those strategies and activities that are still in the development phase. In addition, some resources not initially considered in the development of 2015-2020 Strategic Plan cost projections—such as funding received from First 5 California, as well as remaining unspent balances from legacy investments redirected to the fund balance—were incorporated as part of this analysis. As implementation continues and further information becomes available, refined estimates will be incorporated into future updates of the LTFP. Although the LTFP is not the vehicle for updating the budget, additional staff analysis and recommendations will be brought to the Board for their action during the mid-year and annual budget processes.

There was sufficient information to support revisions to the expected trajectory of spending for the priority outcome areas. This updated information resulted in a shift in estimated spending to the later years of the Plan, showing more spending in FY 2018-19 and FY 2019-20 than previously projected. For example, previous projections anticipated that spending in the Early Care & Education Systems (ECE) outcome area would be the highest in FY 2016-17 and FY 2017-18 with a ramp down in spending by FY 2019-20, while current projections shifted the majority of spending in this area to FY 2018-19 and FY 2019-20. For the Communities outcome area, current projections include shifting the full implementation of the Best Start alignment to FY 2017-18, as well as revised assumptions around costs related to community-specific resident engagement and continuation of the capacity-building community grants through the duration of the 2015-2020 Strategic Plan.

Similarly, previous long-term projections showed anticipated peak spending in the Families outcome area in FY 2016-17 and FY 2017-18 with a 57% reduction in expenditures by FY 2019-20. Current projections reflect a steady increase in expenditures over the course of the five-year LTFP, with the outcome area-specific costs continuing into FY 2020-21. Current projections assume that funding for Universal Assessment of Newborns (UAN) will be exhausted by FY 2019-20. However, given the alignment of UAN with the Welcome Baby (WB) program, concurrent support for both UAN and WB services may be required to maximize optimal outcomes across all participating hospitals and for families within and around the Best Start Communities. Staff will be coming to the Board at a later date to discuss the updated projections for First 5 LA's home visiting investments, which will include a discussion of the programmatic implications of continuing to fund UAN beyond the initial allocation amount, as well as a discussion of the sustainability strategies that are currently being evaluated. Because the changing political landscape and various external policy changes may affect the

feasibility of these strategies, staff will continue to assess the potential impacts and will return to the Board with a recommended approach to sustainability.

#### **D. Program Expenditure Assumptions – Legacy Investments**

The expenditure projections contained in the LTFP were developed based on the following overarching assumptions:

- Fidelity to existing Commission-approved allocations and other funding decisions made by the Commission.
- Consistent with the Governance Guidelines, all initiatives and programs are assumed to end according to the Board-directed timeframe. For example, expenditure projections only include funding for the Children’s Dental Care initiative through June 2018, when the five-year initiative is scheduled to end.
- Ongoing funding for Legacy Investments that do not have an approved multi-year allocation is assumed to adhere to one of the following approaches:
  1. Funding is assumed for those legacy projects for which an amount was awarded to grantees or contractors via a multi-year award letter or strategic partnership agreement; and
  2. All other funding is assumed to be in support of activities that align to and support the strategies and approaches detailed in the 2015-2020 Strategic Plan.

#### **E. Program Expenditure Assumptions – Cross-Cutting and Support Investments**

Funding is assumed for a number of cross-cutting or “support” investments—such as Communications & Marketing, Policy & Advocacy, and Integration & Learning—that do not have committed multi-year allocations and may support both legacy work and the new work of the organization. While these investments represent key approaches for the Commission to advance the priority outcome areas established in the 2015-2020 Strategic Plan, they also reflect the Commission’s commitment to continuously learn and improve upon the efforts that the organization participates in and supports. Consistent with past Commission practice, the LTFP assumes that 5% of estimated programmatic spending will be spent on integration and learning activities, while costs for communications/marketing and policy activities are projected based on either existing approved funding levels or specific activities planned for future fiscal years.

#### **F. Operating Expenditure Assumptions**

The approved FY 2016-17 Operating Budget of \$21.2 million included assumptions related to staffing, salary and benefit costs, and other operating costs. The LTFP methodology assumes that operating costs will increase slightly each year due to standard salary and benefit increases (estimated at 2% each year), as well as inflation of the cost of goods and services (estimated at 1% each year). Staff recognizes that operating requirements will change, as the Commission transitions fully to the 2015-2020 Strategic Plan activities and shifts to a revised operating structure that best supports the work of the Commission moving forward. Relatedly, one-time capital improvement costs are assumed for FY 2017-18 to account for updates and anticipated modifications to the building and workspaces to support the new operating structure. Further analysis is underway and will continue during the organizational transformation process to more reliably project how changes in the organization’s operating approach might affect costs. As previously noted, although the LTFP is not the vehicle for updating the budget, additional staff analysis and recommendations will be brought to the Board for their action during the annual budget process.

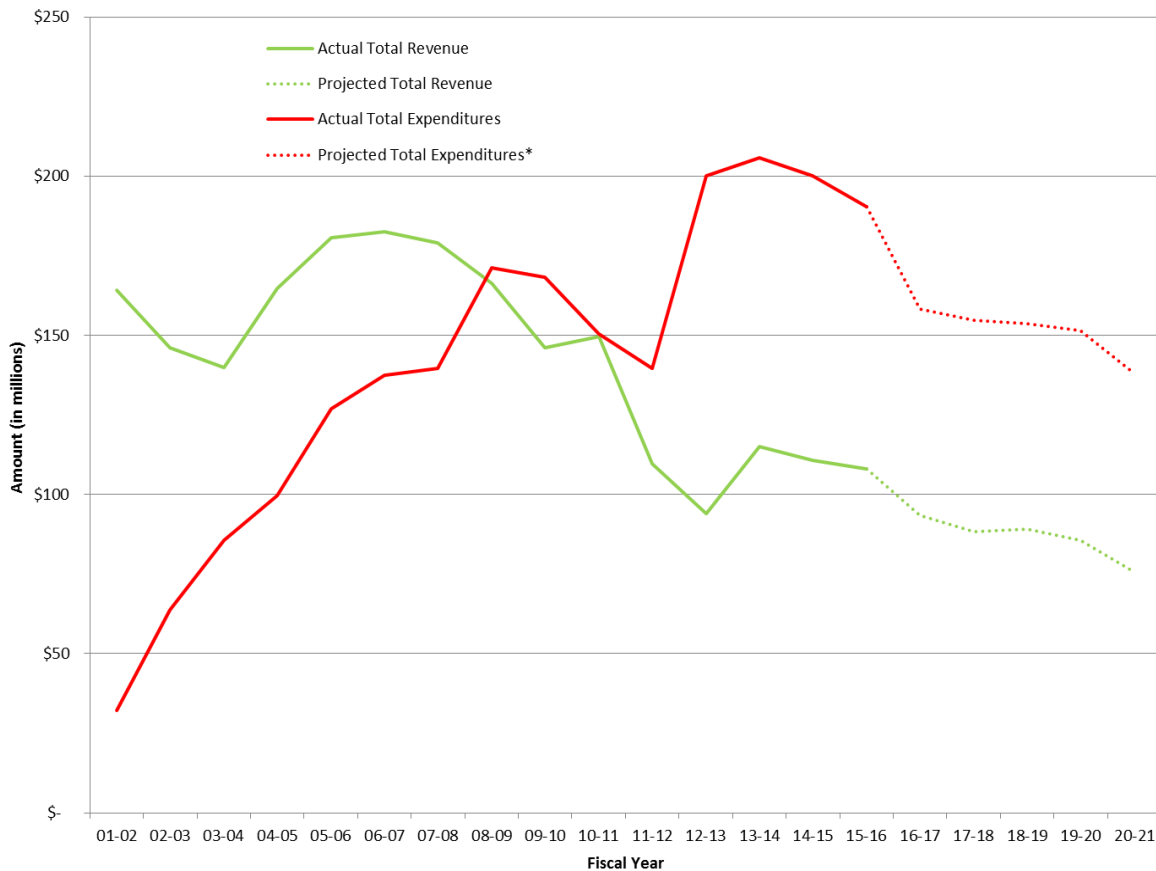
The LTFP does assume compliance with the Commission’s annual administrative limit, which for FY 2016-17 is 7.67% of proposed spending. Although this limit represents an increase from prior years, First 5 LA still maintains one of the lowest administrative limit percentages among the First 5 county Commissions. Per adopted policy, administrative expenses are assumed to include all costs incurred in support of the general management and administration of the Commission for a common or joint purpose that benefits more than one cost objective (other than evaluation activities), and/or those costs not readily assignable to a specifically benefited cost objective. The LTFP assumes that the annual administrative limit will be approved each year by the Board through the annual budget process, in alignment to Board-approved policy.

**IV. Analysis: The Multi-year Outlook**

Over the long-term, the LTFP continues to show a picture of declining resources, including both incoming revenue and existing fund balance. As previous projections have demonstrated, this is primarily driven by the fact that spending continues to outpace revenue (as illustrated in *Chart 1* below), requiring the Commission to depend on existing fund balance to cover the difference.

The Commission’s primary source of revenue, Proposition 10 tobacco tax revenue, has been steadily decreasing since FY 2004-05, and is projected to decline an additional 16% by FY 2020-21, from the \$87.9 million received in FY 2015-16 to an estimated \$73.5 million for FY 2020-21. At the same time, expenditures had been steadily increasing through FY 2013-14 exceeding incoming revenue for the first time in FY 2008-09. Commission expenses in FY 2015-16 totaled \$190.3 million, a 4.86% decrease from FY 2014-15.

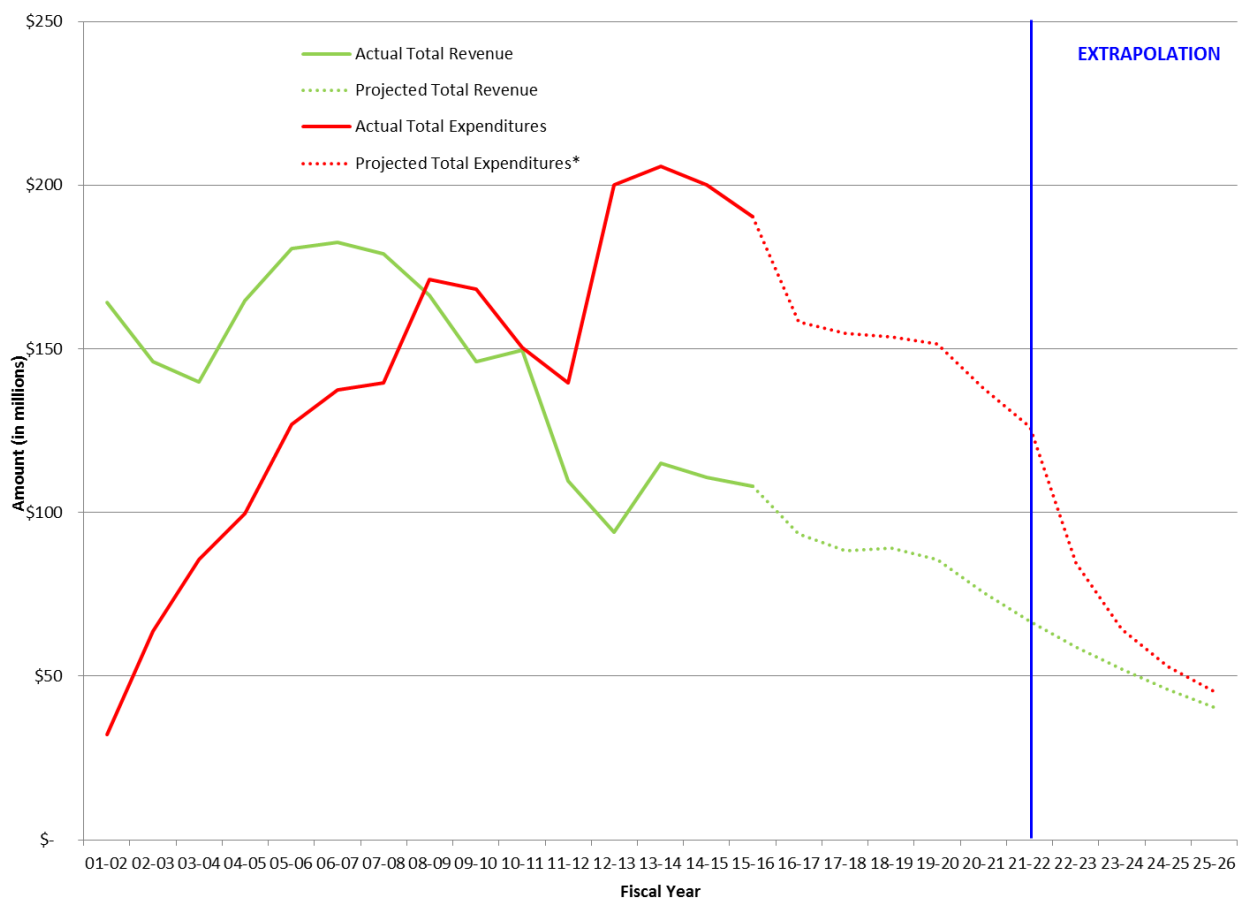
**Chart 1: Revenue vs. Expenditures through FY 2020-21**



In FY 2016-17, spending is estimated to total more than \$158.2 million, or 41% above the estimated incoming tobacco tax revenue, an excess level of spending that results in a commensurate decline in fund balance. This variance between projected revenue and expenditures results in a 70% decrease in fund balance from the July 1, 2016 beginning fund balance of \$460.1 million to \$136.1 million by June 30, 2021. Of this \$136.1 million, amounts would need to be set aside for subsequent fiscal year operating costs and the fund balance reserve, which is currently calculated as 25% of the projected annual fiscal year budget per Board-approved policy.

The necessary alignment of revenue and expenditures is not anticipated to occur until after FY 2025-26 (as illustrated in *Chart 2* below). This is driven by a combination of factors: 1) further decline in tobacco tax revenue, 2) continued spending in excess of revenue, utilizing existing fund balance to cover the difference; and 3) the approved policy governing the fund balance reserve, which requires the Commission to hold a portion of its fund balance each year in reserve, equivalent to 25% of planned annual spending. However, this does give the organization the opportunity to gradually transition to a more sustainable spending portfolio, with the goal of aligning annual spending with revenue.

Chart 2: Revenue vs. Expenditures through FY 2025-26



Even as the Commission moves farther into a Strategic Plan that places a greater emphasis on policy and systems change, it is important to note that more than half of incoming Proposition 10 tobacco tax revenue (\$200.4 million out of total estimated tax revenue of \$399.8 million) is projected to be spent through FY 2020-21 on the Commission’s direct service investment in home visitation through the Welcome Baby and Select Home Visitation programs. Specifically, the LTFP projects

that over the course of the next five years, these programs combined are forecasted to range from a high of 60% to a low of 43% of incoming tobacco tax revenue on an annual basis.

The additional year of actual data and updated revenue and expenditure estimates resulted in notable changes in the current LTFP relative to previous long-term projections. In particular, the current LTFP reflects higher revenues and lower expenditures than previous projections, resulting in a higher estimated fund balance than previously forecasted for the organization. In addition, although the updated spending projections for 2015-2020 Strategic Plan activities are lower than the high-end resource estimates initially forecasted when the Plan was approved, further work needs to be done in order to fully reconcile the Plan's resource requirements. Staff will continue to monitor the changing environment and political landscape—both at the State and federal level—and will evaluate the potential fiscal impacts to the organization triggered by items such as revenue-driven propositions at the State level or legislative decisions at the Federal level (e.g., changes to the Affordable Care Act).

Overall, the LTFP continues to demonstrate that the Commission cannot maintain the current rate of spending in the long run, and that the organization must continue to explore ways to transition to a more sustainable spending approach. Although the LTFP shows that resources are adequate in the short-term to cover existing obligations and projected spending, these declining resources must be considered carefully in the long-term. The Commission is already in the process of exploring where alternative revenue sources may exist, as well as what effect the recently approved California ballot measures may have on both existing revenue streams and potential additional sources beyond the current tobacco tax revenue. Based on the extrapolated data shown in Chart 2, the Commission is expected to continue spending in excess of incoming revenue based on current trends. The identification of alternative revenue sources will be critical in order to achieve the Commission's goal of aligning incoming revenue with annual expenditures.

The LTFP indicates that existing and estimated future resources are sufficient to provide a transition period over the coming years for the Commission to gradually move toward a “live within our means” budgeting approach that places more reliance on incoming resources rather than fund balance to cover annual spending.

## **V. Summary**

The LTFP provides a framework for informing future strategic decisions that determine the future direction of the Commission. Higher revenues and lower expenditures than were forecasting in last year's LTFP are resulting in a higher estimated fund balance than previously projected over the LTFP time period. In addition, staff will continue to monitor and assess the impacts of ongoing changes to the political landscape, such as state-level legislation affecting tobacco tax revenue or federal legislative changes such as modifications to the Affordable Care Act.

The LTFP shows that there is sufficient fund balance in the short-term to support a transition to a more sustainable spending portfolio—one that places less reliance on existing fund balance and begins the process of aligning annual spending with annual revenue—over the course of the 2015-2020 Strategic Plan and in the years that follow.

By balancing future investments with declining resources, the Commission has an opportunity to bring sharper focus to the directed areas of investment by aligning them in a manner that ensures sustainability. Coupled with the approved Governance Guidelines, this fiscal outlook should help to inform and provide parameters for any Commission decisions with a fiscal impact, ensuring that both existing and new funding commitments are sustainable and aligned with the 2015-2020 Strategic Plan.

**First 5 LA**  
**Long Term Financial Projection - Multi-Year Forecast Detail**

Beginning Fund Balance as of July 1			\$ 460,076,176	\$ 395,206,645	\$ 328,897,636	\$ 264,253,209	\$ 198,547,221	A	
<b>Projected Revenue (by Fiscal Year)</b>			<b>FY 2015-16</b>	<b>FY 2016-17</b>	<b>FY 2017-18</b>	<b>FY 2018-19</b>	<b>FY 2019-20</b>	<b>FY 2020-21</b>	
Proposition 10 Tax Allocations <sup>1</sup>			\$ 87,017,941	\$ 82,746,658	\$ 79,673,821	\$ 76,826,944	\$ 73,492,655		
Other Revenue <sup>2</sup>			2,030,611	1,781,585	6,204,210	6,207,482	170,308		
Interest Earnings <sup>3</sup>			4,255,138	3,781,694	3,244,485	2,645,889	1,995,854		
<b>Total Projected Revenue</b>			<b>\$ 93,303,690</b>	<b>\$ 88,309,936</b>	<b>\$ 89,122,515</b>	<b>\$ 85,680,315</b>	<b>\$ 75,658,816</b>	<b>B</b>	
<b>Annual Program Demands</b>		<b>Commitment (June 30, 2016)<sup>4</sup></b>	<b>ACTUAL FY 2015-16</b>	<b>Estimated Program Demands (by Fiscal Year)</b>					
			<b>FY 2016-17<sup>5</sup></b>	<b>FY 2017-18</b>	<b>FY 2018-19</b>	<b>FY 2019-20</b>	<b>FY 2020-21</b>		
<b>2015-2020 STRATEGIC PLAN: FOCUSING FOR THE FUTURE (By Outcome Area)</b>									
Families - Welcome Baby/Home Visitation		\$ -	\$ 27,429,035	\$ 37,031,363	\$ 35,699,396	\$ 40,802,424	\$ 42,683,600	\$ 44,156,627	
Communities - Best Start Communities/New Activities		-	11,111,173	17,314,000	21,870,355	23,502,683	24,705,826	24,705,826	
Early Care & Education Systems <sup>6</sup>		52,763,993	234,207	23,898,000	22,869,000	27,219,000	31,352,355	24,550,000	
Health-Related Systems		-	27,199	2,421,000	5,331,000	7,831,000	9,285,500	9,285,500	
<b>TOTAL 2015-2020 STRATEGIC PLAN (By Outcome Area)</b>		<b>\$ 52,763,993</b>	<b>\$ 38,801,614</b>	<b>\$ 80,664,363</b>	<b>\$ 85,769,751</b>	<b>\$ 99,355,107</b>	<b>\$ 108,027,281</b>	<b>\$ 102,697,953</b>	<b>C</b>
<b>LEGACY INVESTMENTS</b>									
At-Risk Fathers Investment		\$ 598,500	\$ -	\$ 114,000	\$ 308,000	\$ 177,000	\$ -	\$ -	
Baby Friendly Hospitals <sup>7</sup>		24,133,679	-	918,000	436,900	175,100	-	-	
Black Infant Health		5,714,561	-	1,703,000	2,355,000	1,855,000	-	-	
Children's Dental Care		20,342,895	-	9,366,000	6,864,593	-	-	-	
Children's Vision Care		1,582,789	-	1,333,000	249,789	-	-	-	
Data Partnership with Funders		2,353,121	-	900,000	700,000	524,417	400,000	-	
Early Identification and Intervention of Autism		1,951,073	-	990,000	961,073	-	-	-	
Healthy Food Access		1,764,514	-	1,174,000	552,000	38,514	-	-	
Healthy Kids - Advance to LA Care <sup>8</sup>		8,254,590	-	273,000	350,000	400,000	100,000	-	
Information Resource & Referral <sup>9</sup>		-	-	1,260,000	640,000	-	-	-	
Little by Little/One Step Ahead		21,412,981	-	3,312,000	3,978,999	4,004,078	959,573	-	
Oral Health & Nutrition - Dental Home - Advance to UCLA		704,300	-	704,300	-	-	-	-	
Parent-Child Interaction Therapy		12,529,944	-	3,590,000	3,679,630	2,019,770	-	-	
Policy Advocacy Fund		-	-	1,263,000	300,000	-	-	-	
Reducing Childhood Obesity		6,034,967	-	6,034,967	-	-	-	-	
Resource Mobilization - ECE		-	-	200,000	-	(1,000,000)	-	-	
Resource Mobilization - Funder Partnerships		-	-	75,000	525,000	525,000	525,000	525,000	
Resource Mobilization - Health		-	-	326,000	-	-	-	-	
Resource Mobilization - Organizational Capacity Building		-	-	125,000	200,000	200,000	200,000	200,000	
Resource Mobilization - Project Development		-	-	250,000	250,000	250,000	250,000	250,000	
Workforce Development		-	-	555,000	542,000	-	-	-	
Universal Assessment of Newborns <sup>10</sup>		34,783,040	-	8,152,433	10,414,820	9,814,084	6,401,703	-	
<b>TOTAL LEGACY INVESTMENTS</b>		<b>\$ 142,160,954</b>	<b>\$ 106,967,338</b>	<b>\$ 42,618,700</b>	<b>\$ 33,307,804</b>	<b>\$ 18,982,963</b>	<b>\$ 8,836,276</b>	<b>\$ 975,000</b>	<b>D</b>
<b>CROSS-CUTTING AND SUPPORT INVESTMENTS<sup>11</sup></b>									
Communications & Marketing		\$ -	\$ 1,771,384	\$ 5,345,000	\$ 4,650,000	\$ 4,650,000	\$ 4,650,000	\$ 4,650,000	
Communications - Conference Funding		-	184,805	300,000	300,000	300,000	300,000	300,000	
Policy Agenda/Advocacy		-	1,074,280	2,442,000	2,442,000	2,442,000	2,292,000	2,292,000	
Integration & Learning		-	6,558,248	5,568,000	5,531,000	6,028,000	4,874,000	4,388,000	
<b>TOTAL CROSS-CUTTING AND SUPPORT INVESTMENTS</b>		<b>\$ -</b>	<b>\$ 9,588,717</b>	<b>\$ 13,655,000</b>	<b>\$ 12,923,000</b>	<b>\$ 13,420,000</b>	<b>\$ 12,116,000</b>	<b>\$ 11,630,000</b>	<b>E</b>
<b>TOTAL ESTIMATED PROGRAM DEMANDS</b>				<b>\$ 136,938,063</b>	<b>\$ 132,000,555</b>	<b>\$ 131,758,070</b>	<b>\$ 128,979,557</b>	<b>\$ 115,302,953</b>	<b>F=C+D+E</b>
Estimated Operating Expenditures <sup>12</sup>			\$ 21,235,158	\$ 22,618,391	\$ 22,008,873	\$ 22,406,746	\$ 22,812,154	\$ 22,812,154	<b>G</b>
<b>TOTAL ESTIMATED SPENDING</b>				<b>\$ 158,173,221</b>	<b>\$ 154,618,946</b>	<b>\$ 153,766,943</b>	<b>\$ 151,386,303</b>	<b>\$ 138,115,107</b>	<b>H=F+G</b>
<b>TOTAL ESTIMATED SPENDING IN EXCESS OF REVENUES</b>				<b>\$ 64,869,531</b>	<b>\$ 66,309,009</b>	<b>\$ 64,644,428</b>	<b>\$ 65,705,988</b>	<b>\$ 62,456,291</b>	<b>I=H-B</b>
<b>PROJECTED ENDING FUND BALANCE</b>				<b>\$ 395,206,645</b>	<b>\$ 328,897,636</b>	<b>\$ 264,253,209</b>	<b>\$ 198,547,221</b>	<b>\$ 136,090,930</b>	<b>J=A-I</b>
Total Estimated Commitments Remaining (as of June 30)		\$ 185,966,057	\$ 130,364,991	\$ 69,217,804	\$ 19,470,339	\$ 38,643,262	\$ 38,643,262	\$ 38,643,262	
Total Estimated Advances Remaining (as of June 30)		\$ 8,958,890	\$ 7,981,590	\$ 7,631,590	\$ 7,231,590	\$ 7,131,590	\$ 7,131,590	\$ 7,131,590	
				<b>FY 2016-17</b>	<b>FY 2017-18</b>	<b>FY 2018-19</b>	<b>FY 2019-20</b>	<b>FY 2020-21</b>	
Fund Balance Reserve <sup>13</sup>			\$ 39,543,305	\$ 38,654,736	\$ 38,441,736	\$ 37,846,576	\$ 34,528,777	\$ 34,528,777	<b>K=H*25%</b>

Footnotes to the Long Term Financial Projection – Multi-Year Forecast Detail:

1. Proposition 10 tax revenue projections were updated based on the most recent forecast provided by the California Department of Finance (DOF): "First 5 California County Tax Revenue Projections for FY 2015-16 through 2019-20" (Updated 6/27/16 Utilizing DOF May Revise 2016 Tobacco Tax Projections and DOF Birth Projections for California State and Counties 1970-2023). Because DOF projections decreased on average 4.34% each year through FY 2019-20, a 4.34% decrease was projected for FY 2020-21.
2. Other Revenue includes lease revenue based on the negotiated lease agreement for the preschool occupying space on the first floor of the Commission building. Based on the terms of the agreement, lease revenue is assumed to increase by a maximum of 2% per year across the timeframe covered by the LTFP. This revenue category also includes IMPACT funding being received by First 5 LA from First 5 California, the bulk of which will be received in FY 2018-19 and FY 2019-20.
3. Estimated interest rates were based off of the average rate for FY 2015-16 of 1.02%. Due to improving market conditions, an estimated rate of 1.0% was utilized for FY 2016-17 to project interest earnings on available cash balances, with the rate increasing by 0.05% each year to a maximum of 1.2% for FY 2020-21.
4. Allocation and advance balances were updated based on the Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2016. Any exceptions are specifically noted below.
5. FY 2016-17 expenditure projections are based on the FY 2016-17 Budget approved June 9, 2016, except where updated information was available to adequately support a change. Any changes will be incorporated formally during the mid-year adjustment to the FY 2016-17 Budget presented to the Board for approval in the spring of 2017.
6. The resource estimates included for the Early Care & Education Systems outcome area include the spending down of remaining balances previously allocated for both Los Angeles Universal Preschool (LAUP) and the ECE Workforce Consortium, as approved by the Board. The year-end balance for LAUP was updated based on a revised reconciliation conducted by both First 5 LA and LAUP staff.
7. The Baby Friendly Hospitals initiative draws down from an allocation previously referred to as "Best Start LA". All other programs funded through this allocation have ended. Costs for Baby Friendly Hospitals beyond FY 2016-17 represent the completion of existing obligations to current grantees and contractors.
8. Through the expiring initiatives assessment process, approval was granted to continue the relationship with LA Care, which has a significant balance remaining of the approximately \$12.9 million that was initially advanced in FY 2012-13. This approval granted LA Care the ability to continue to hold the funds in their account while additional work is underway to determine how LA Care might be able to contribute toward the success of the Health-Related Systems outcome area strategies.
9. Information Resource & Referral costs represent the approved extension of the existing relationship with the Information and Referral Federation of Los Angeles County, Inc. ("211 LA County") through June 30, 2018. Costs for information resource and referral activities beyond FY

2017-18 are incorporated into the resource estimates for the 2015-2020 Strategic Plan outcome areas.

10. Universal Assessment of Newborns is fundamentally linked to the Welcome Baby program, with both programs currently funded through single contracts with provider hospitals. However, because the Universal Assessment of Newborns initiative was initially approved as a 5-year initiative with a discrete multi-year allocation, costs are reflected through FY 2019-20, at which point the allocation balance will be exhausted. The spending estimate for FY 2019-20 will not cover a full year of costs for this initiative.
11. Funding is assumed for a number of cross-cutting or “support” investments that do not have committed multi-year allocations. Note that these costs may support both legacy work (as we continue to learn from past investments) and the 2015-2020 Strategic Plan activities. Although multi-year funding commitments have not been explicitly made by the Commission, estimated costs were included because these investments represent key approaches for the Commission to advance the priority outcome areas established in the Strategic Plan. In addition, these resources also reflect the Commission’s commitment to continuously learn and improve upon the efforts that the organization participates in and supports.
12. The methodology for operating costs assumes that costs will increase slightly each year due to standard salary and benefit increases (estimated at 2% each year), as well as inflation of the cost of goods and services (estimated at 1% each year). Staff recognizes that operating requirements will change, as the Commission transitions fully to the 2015-2020 Strategic Plan activities and shifts to a revised operating structure that best supports the work of the Commission moving forward. As such, one-time capital improvement costs are assumed for FY 2017-18 to account for updates and anticipated modifications to the building and workspaces to support the new operating structure. Further analysis is underway and will continue during the organizational transformation process to more reliably project how changes in the organization’s operating approach might affect costs.
13. The fund balance reserve is calculated as 25% of estimated spending for the fiscal year, consistent with Board-approved policy.

# Long Term Financial Projection

FY 2017-2021

Budget & Finance Committee  
Meeting

January 23, 2017



# Agenda

---

- Overview and Purpose
- Assumptions
- Highlights
- Key Takeaways
- Summary
- Next Steps

# LTFP: Overview

---

- Goal of the LTFP: To aid in the Commission's financial stewardship role by providing a framework that shows the long-term implications of funding decisions.
- LTFP is a multi-year forecast—not a spending plan—that includes: revenue, fund balance, program commitments and expenditure projections, and operating expenses.
- The LTFP is presented to the Board provide fiscal context for the organization, not as a vehicle to make policy decisions.
- Forecast period of FY 2017 – 2021, one year beyond the 2015-2020 Strategic Plan.

34

# Assumptions

---

- Projections assume fidelity to allocations and other funding decisions made by the Commission.
  - All programs will be implemented according to the planned schedule and are assumed to end consistent with the Board-approved Governance Guidelines.
  - Any unspent funding from multi-year allocations will remain committed, pending Board action.
- Strategic Plan cost estimates were revised where additional information was available.
- Spending levels for FY 2020-21 are assumed to remain relatively consistent with FY 2019-20.
- Operating expenses increase slightly based on standard salary/benefit increases, inflation, and costs related to one-time capital improvements.

35

# Highlights: Revenue & Expenditures

---

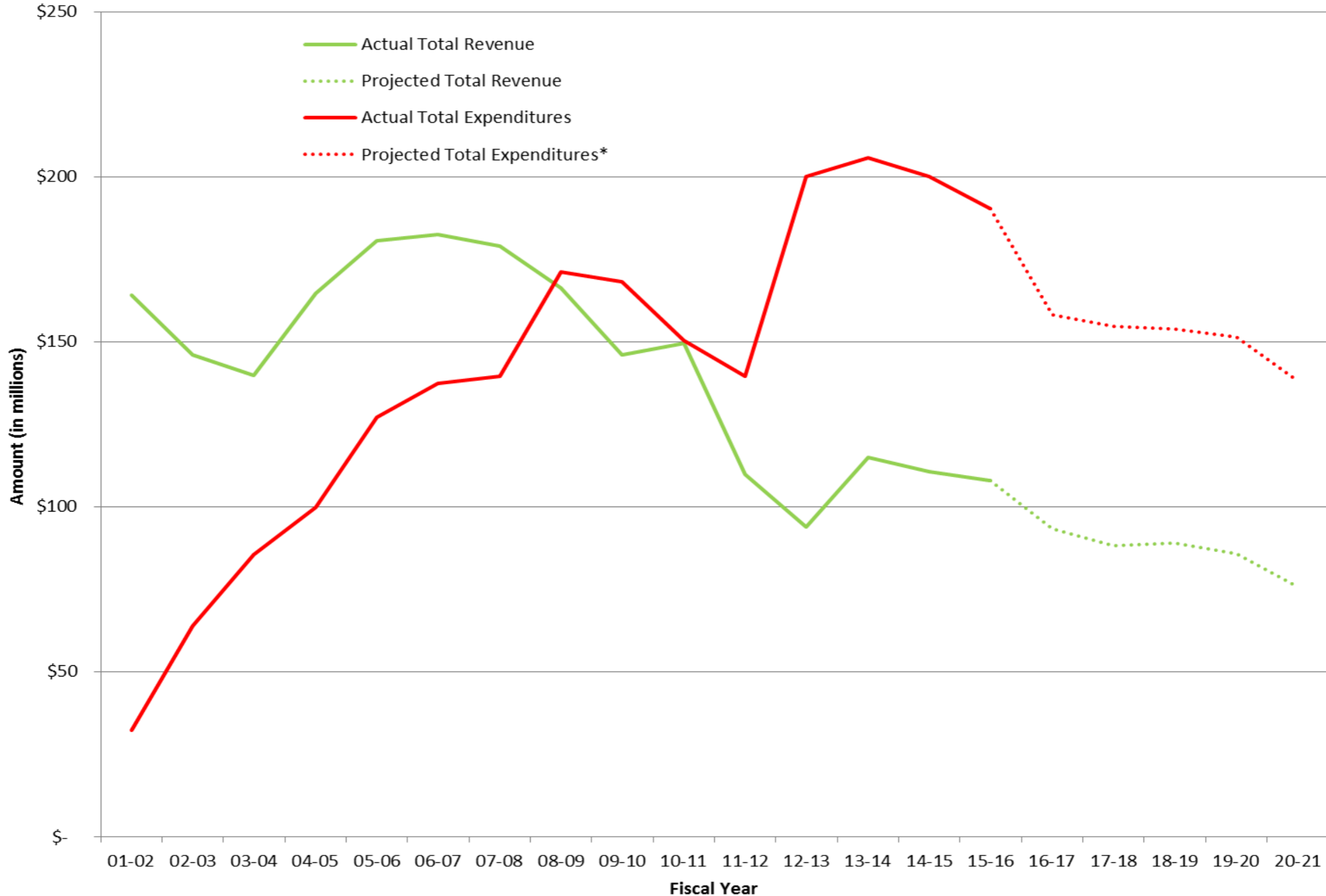
**Revenue:** Proposition 10 tax revenue is projected to decline by 16% by FY 2020-21, from \$87.9 million (FY 2015-16) to \$73.5 million (FY 2020-21).

## **Expenditures:**

- Annual spending began to exceed revenue in FY 2008-09.
- In FY 2015-16, expenditures of \$190.3 million were more than double the tobacco tax revenue of \$87.9 million.
- In FY 2016-17, spending is estimated to be \$158.2 million and remain above \$138.0 million through FY 2020-21, further reducing fund balance.
- Over the course of the 5 years covered by the LTFP, more than half of incoming tobacco tax revenue is projected to be spent on the Commission's direct service investments in home visiting.

36

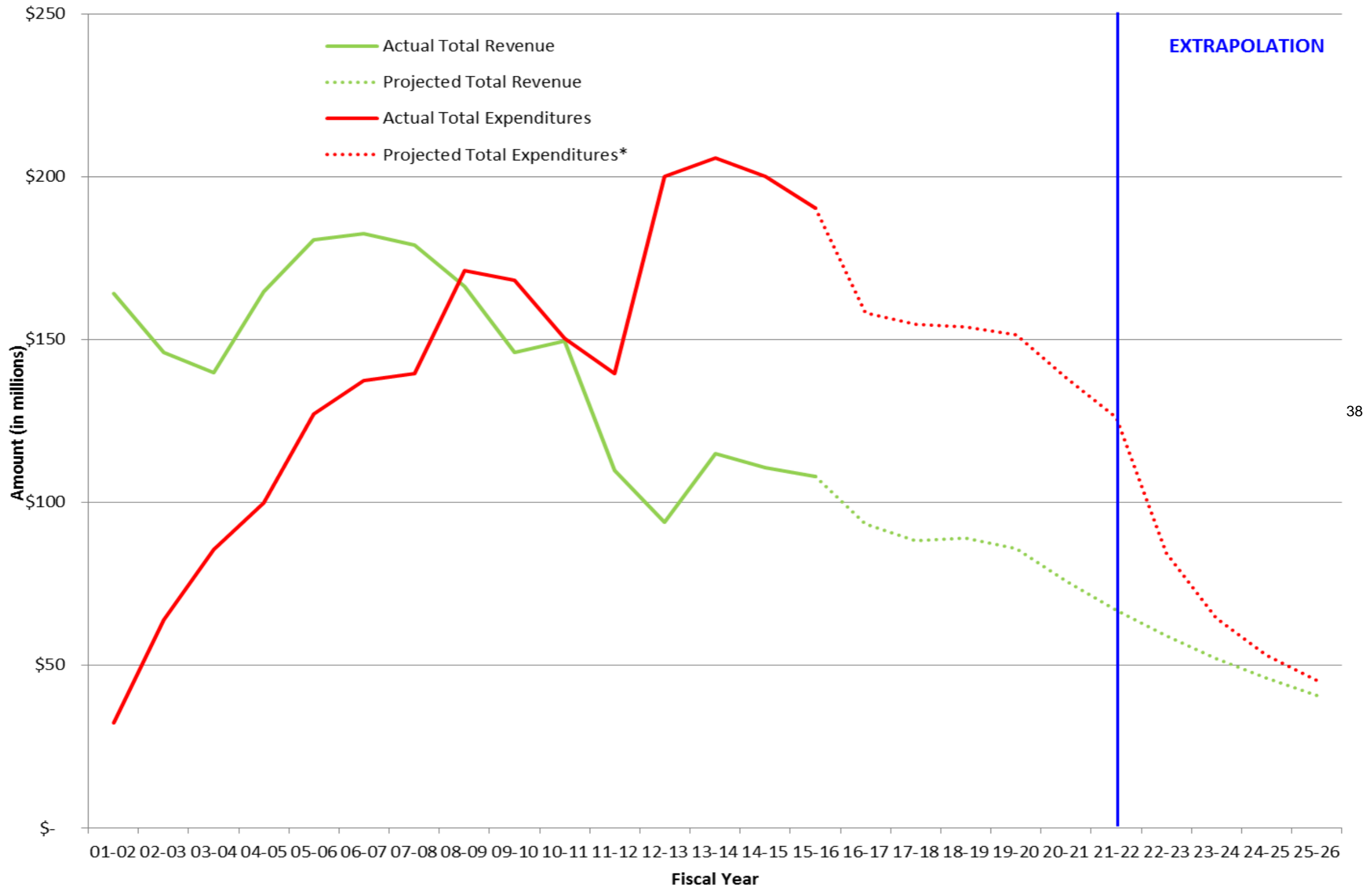
# Revenue & Expenditure Projections



37

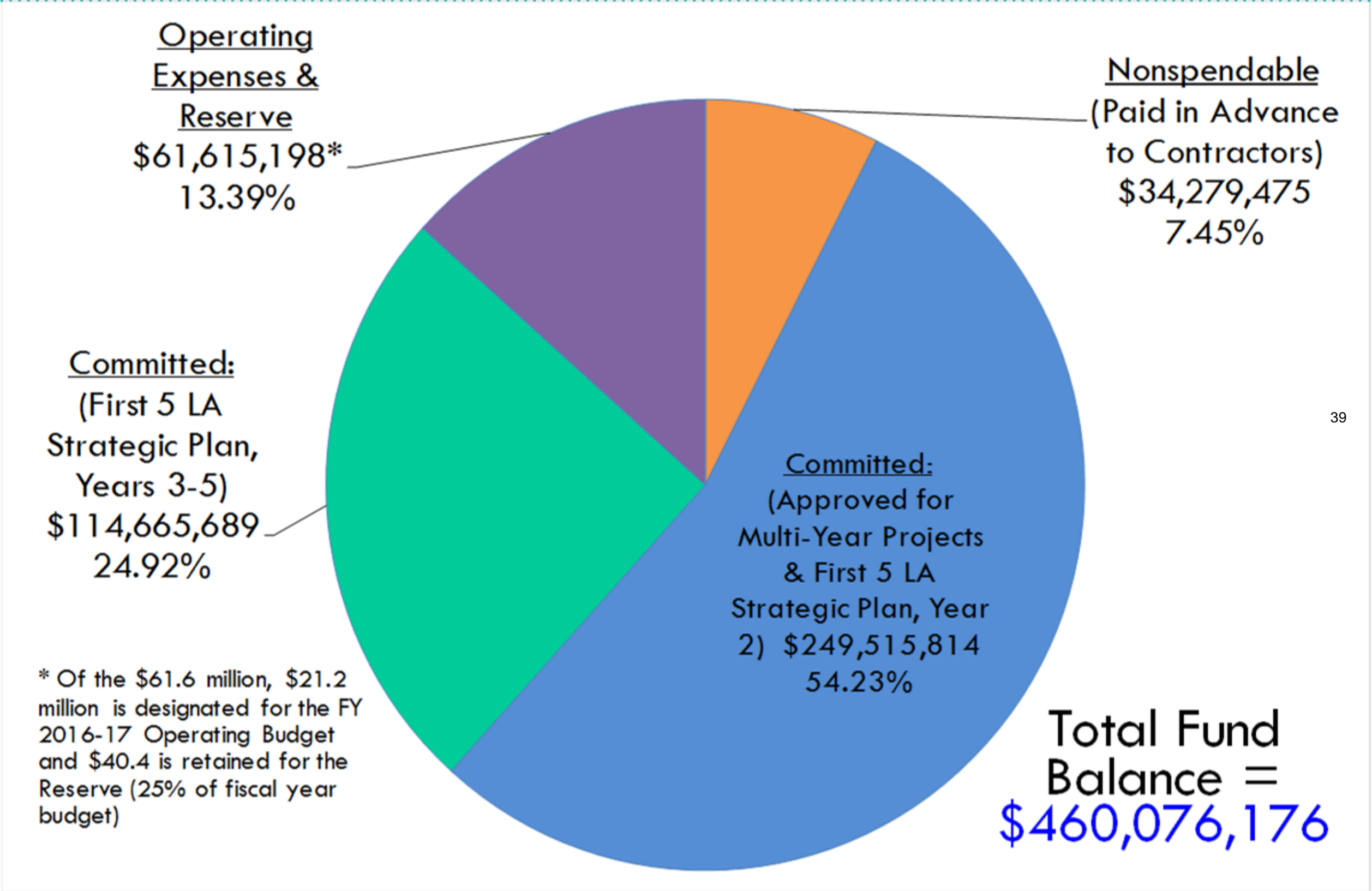
\* Expenditure projections assume that the Commission does not spend the reserve each year.

# Revenue & Expenditure Projections (Extrapolated)



\* Expenditure projections assume that the Commission does not spend the reserve each year.

# Fund Balance (6/30/2016): 100% Board Dedicated



39

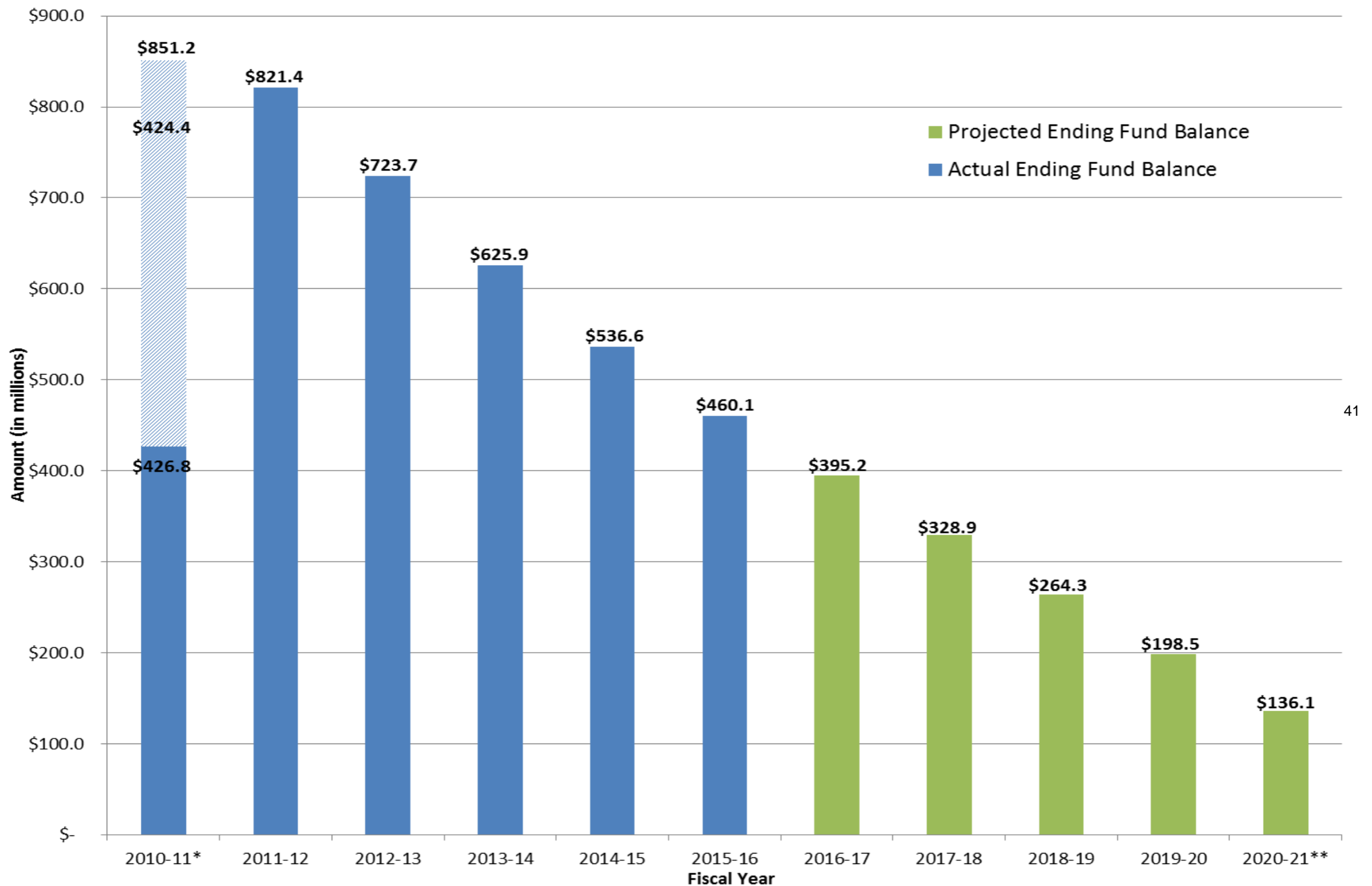
# Highlights: Fund Balance

---

- July 2016 beginning fund balance was \$460.1 million, of which \$283.8 million, or 62%, was committed to approved multi-year allocations, advances to contractors/grantees, and FY 2016-17 appropriations.
- Total fund balance is projected to decrease by 70% by June 2021, from \$460.1 million in July 2016 to \$136.1 million by June 2021.
- The \$136.1 million would need to account for FY 2021-22 operating costs, the fund balance reserve, and unspent multi-year committed allocations.

40

# Fund Balance: Future Outlook



\* The FY 2010-11 fund balance was lower due to an AB 99 liability of \$424.39 million, which was returned to net assets in FY 2011-12.

\*\* Funds must be available from this balance to support operating costs and maintain a fund balance reserve for FY 2021-22.

# Key Takeaways

---

- Underspending in FY 2015-16 resulted in a higher FY 2016-17 beginning fund balance than previously expected.
- Compared to previous projections, the current LTFP shows higher revenues, lower anticipated expenditures, and an overall higher fund balance.
- An additional year of actual spending data and implementation produced revised projections for the four Outcome Areas that demonstrate a lower than anticipated level of spending by June 30, 2020
  - Staff will provide additional detail in the FY 2017-18 Budget, and will continue to revise resource estimates and update the Board as implementation continues and more is known

42

# Conclusion

---

- LTFP shows spending continuing to exceed revenue, placing demands on the diminishing fund balance.
- Staff continue to monitor the changing political landscape—both at the State and Federal levels—which will likely have implications for incoming revenue, as well as feasible sustainability strategies.
- Resources are adequate to cover existing obligations and projected spending through the course of the 2015-2020 Strategic Plan, providing the Commission with the opportunity to gradually transition to a more sustainable spending portfolio with the goal of aligning annual spending with revenue.
- In the short-term, the Commission must adhere to the Governance Guidelines relative to expiring initiatives and the efficiency & cost effectiveness of the 2015-2020 Strategic Plan strategies to reflect F5LA's fiscal reality.

43

# Next Steps

---

- LTFP will be presented to the Commission on January 26<sup>th</sup> as an informational item
- Staff will finalize mid-year budget adjustments to the FY 2016-17 Budget, to be presented to B&F on March 1<sup>st</sup> and to the Commission on March 9<sup>th</sup>
- Staff will return to the Commission in the near future to present revised long-term projections for the Home Visiting investments, with a focus on program and sustainability strategies

44

Questions?



## FY 2017-18 BUDGET CALENDAR

DATE	ACTIVITY	VENUE
January 2017	Brief Budget and Finance Committee on recommended FY 2017-18 budget calendar Provide annual Long Term Financial Plan (LTFP) update to the Budget & Finance Committee	Budget & Finance Committee Meeting
January 2017	Brief Commission on recommended budget calendar Provide annual LTFP update to the Commission	Commission Meeting
February 2017	Provide training to First 5 LA staff on budget process and development	Internal Staff Training
February 2017	Request Commission approval on the recommended budget calendar	Commission Meeting
February - April 2017	Complete budget development	Internal Staff Process
April 2017	EVP reviews first draft of budget documents	Budget & Finance Committee Meeting
May 2017	Present FY 2016-17 Proposed Budget to the Commission	Commission Meeting
May 2017	Revise FY 2017-18 Proposed Budget as necessary	Internal Staff Process
May 2017	Present revised FY 2016-17 Proposed Budget to the Budget & Finance Committee as necessary	Mid-week of April 10
June 2017	Request Commission adoption of the FY 2017-18 Proposed Budget	Commission Meeting