

## First 5 Commission of San Diego

March 9, 2009

### **Subject: Commission's Current Financial Status and 10-Year Financial Plan**

This item updates the Commission on its current financial status and provides several options for a 10-year financial plan for the Commission's consideration.

#### **Overview:**

The supporting materials for this item include 2 spreadsheets, **02-5a** and **02-5b**, that are drafts of 10-year plans based on the same assumptions as the current 20-year plan, and updated to include: 1) recent revenue projections, 2) recent birthrate projections, and 3) costs of recent allocations & multi-year encumbrances to strengthen the Commission's safety net of programs and services through FY 2009/10.

Spreadsheet **02-5a** shows the Commission what its Fund Balance would be at the end of 10 years if the Commission retains its current levels of program funding. Spreadsheet **02-5b** is "zero-based" at the end of 10 years, which increases funds for programs through the life of the plan.

#### **10-Year Contingency Planning:**

Since the time the Commission began its discussion about shortening the length of its long-range financial plan from 20 to 10 years, a new tax on tobacco products (SCHIP - \$.61) and threats to Prop 10 tobacco tax revenues have emerged. On February 19, the Legislature passed ABX3 17, which the Governor signed the following day. ABX3 17 places before the voters, in a special election slated for May 19, a measure, Prop 1D, that diverts more than 50% of Prop 10 revenues to the state budget over a 5 year period and makes several significant changes to the California Children and Families Act.

In addition, Senator Dave Cox introduced SBX3 25 on February 10, a bill that is similar to if not the same as his previous bills intended to divert Prop 10 revenues to the State General Fund. If enacted, tobacco tax revenues currently designated for the California Children and Families Trust Fund will be transferred to the State General Fund for appropriation by the Legislature for purposes of the Healthy Families Program and the Medi-Cal program.

The recent SCHIP legislation and possible passage of Prop 1D will result in less taxable sales and therefore fewer revenues for First 5 San Diego starting next fiscal year. Document **02-6** shows the projected impacts on this Commission's revenues from the SCHIP tobacco tax and Prop 1D if approved by voters. The Commission is also provided with 3 scenarios (options) of 10-year plans that are described on the next page.

#### **First 5 San Diego's Funds are Stable in the Near-Term:**

First 5 San Diego is fortunate to have recently made safety net funding decisions that will keep the Commission's programs and services stable through FY 2009/10. These decisions ensure the continuity of services at a time when so many other resources for children are diminishing, while giving the Commission time to create and make decisions based on its new Strategic Plan. This was a proactive decision, which is not the case for many county commissions that are hurriedly reacting to a potential crisis.

To assist the Commission in its review of the supporting materials for this item, each document is listed and described below:

<b>Item #</b>	<b>Document</b>
<b>02-2</b>	Balance Sheet as of January 31, 2009
<b>02-3</b>	Statement of Revenues and Expenditures with a 2 <sup>nd</sup> Quarter Budget Projection
<b>02-4</b>	Current 20-Year Financial Plan approved in May 2008
<b>02-5a</b>	Draft of a 10-Year Financial Plan that is not “zero-based” and that incorporates the Commission’s most recent funding decisions
<b>02-5b</b>	A “zero-based” version of <b>02-5a</b>
<b>02-6</b>	Annual Revenue Projections (FY 2009/10 - 2017/18) if Prop 1D is approved by voters on May 19, 2009; also includes impacts of the new SCHIP tobacco tax on Prop 10 revenues

The supporting materials also include the following three (3) 10-Year Financial Plan scenarios that incorporate the projected reductions in Prop 10 revenues from the SCHIP tax and possible approval of Prop 1D:

<b>02-7</b>	Incorporates reduced revenue projections as shown in Item <b>02-6</b> ; assumes same administrative, evaluation expenditures in current 20-Year Financial Plan; eliminates Innovative Grant Funds starting in FY 2009/10
<b>02-8</b>	Same as <b>02-7</b> but zero-based at the end of 10 years; with 5% reduction in administrative & evaluation expenses starting in FY 2009/10 and reduced program expenses starting in FY 2010/11
<b>02-9</b>	Same as <b>02-7</b> but zero-based at the end of 10 years; with 10% reduction in administrative & evaluation expenses starting in FY 2009/10 and reduced program expenses starting in FY 2010/11

**Staff Recommendation:**

- 1) Review and discuss the “assumptions” the Commission will include in its 10-Year Financial Plan; adopt a Plan in March or in April 2009.

**Fiscal Impact:**

A 10-Year Plan versus a 20-Year Plan reduces the time period from 20 to 10 years for expenditure of the Commission’s Sustainability Reserve.