

# FIVE-YEAR FINANCIAL PLAN 2011 - 2015

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# First 5 Lassen Children and Families Commission

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## 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, 2010 through June 30, 2015.

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. This financial plan 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 for 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 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 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 will be studying a variety of scenarios to determine level of program funding beyond year two; whether 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. Capacity building for funded programs and community partners will be a focus in order to 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 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/lobby 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 would also include building new partnerships to take over [previously] funded Commission activities.
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 to 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 283 (1999-2008) births per year; 2008 had the highest number of births with 323. The projected birthrate average for the next six years is 334, indicating that state allocations could increase slightly. However, statewide tobacco tax collections continue to decline steadily. Lassen County received \$199,554 in tax allocation revenues in fiscal year 2008-09, down more than 14% from fiscal year 2007-08 when Lassen County received \$233,009. Last year, the Board of Equalization (BOE) revenue projections for Lassen County dropped below \$200,000 for the first time which made First 5 Lassen a minimum allocation county. Finally, the first six months of fiscal year 2009-10 showed a 10.3% statewide drop in tobacco tax revenue for distribution to the counties. Therefore, the Commission is taking a conservative view and projecting revenues at the minimum allocation level of \$200,000 per year.

**State administrative and travel expense augmentations.** Lassen County has been receiving approximately \$113,000 a year from First 5 California for administrative and travel costs through the Small County Augmentation Project (SCAP). In April, California First 5 Children and Families Commission approved a new structure for small county augmentation, and eligible counties were notified of the first year's amount. The augmentation levels are projected only for the first three years (2011-2014). They will be recalculated each year based on actual data for each county and are expected to decline over time. Lassen County has been notified it will receive \$175,000 in year one; years two and three have been projected at \$168,000 and \$163,000 respectively. No projections beyond that are included in the forecast.

**Effects of future tobacco tax increases.** Additional taxes have been imposed on tobacco products in order to raise money to help cover large state and federal budget deficits or achieve health objectives. These taxes are already leading to further reductions in smoking, thereby also cutting Prop 10 revenues. In October 2009, the Board of Equalization (BOE) adjusted the tobacco tax revenue projections to incorporate the impact of the recent increase in federal tax on tobacco products to various California funds, including Proposition 10 funds. Projected impact on First 5 California revenue *to the counties* is a decrease of 1.82% in 2009-10, followed by decreases of 3.3% and 3.2% over the following two years. These effects are reflected in the revenue projections (e.g., projecting only the minimum allocation amount of \$200,000 per year).

**Non-Prop 10 grants and contributions.** This plan does not currently provide for revenues from other grant sources or public/private contributions.

**Interest and other income.** Interest earnings are calculated conservatively at 1.8% of beginning fund balance plus revenues for the 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.** The plan assumes that the Commission will continue to contract for professional services and staff to manage its operations. Contract fees provide for a part-time Executive Director and finance staff, rent, utilities and a portion of the copier lease. Contractor’s personnel costs are inclusive of payroll taxes and employee benefits, including health savings, health insurance, and retirement contributions.

The forecast assumes contracted personnel will perform general administration, program support and technical assistance, and evaluation functions on behalf of the Commission. Over the course of the five year plan, total professional fees for these services are expected equal approximately 23.1% of total expenditures. The average apportionment of the contract across the functional areas is estimated as: 63.4% for administration, 22.1% for program support and technical assistance, and 14.5% for evaluation. These cost estimates were developed based on a recent time study for program support and evaluation.

Rent. Monthly rent expense is \$861, or one third actual costs. Going rate for current location is \$1.06/square foot.

Insurance. DM carries both general liability insurance (\$1,629/year) and errors and omissions (\$2,848/year) policies. None of these costs are charged to the Commission, and are therefore omitted from the forecast.

Utilities. One third of annual utilities costs are apportioned to the Commission. Utilities include gas and water, sewer, garbage, security system.

Technology. One third of the annual copier lease payments are apportioned to the Commission. All computer equipment, software and maintenance costs are covered by DM and not charged to the Commission.

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

Contractors. The Commission will contract for additional evaluation and technical assistance to programs for a total of \$65,200 over five years, starting with \$18,000 in year one and lowering to \$8,200 in year five. This includes contracts for external data review, analysis and report writing, as well as maintaining and updating the database system. The level/complexity of evaluation and database support in the last two years of this scenario are basic, relying heavily on the Commission staff.

Audit & Commissioner Insurance. An inflation rate of 2.7% is used to forecast increases for the annual audit and insurance only; while costs for all other line items are eliminated or decreased over the five year period.

Other. Operating costs for are projected to increase according to the California Consumer Price Index (CPI) forecasts provided by the California Department of Finance. The estimated CPI rate for 2009 was 2.7%; no inflation estimates are available beyond 2009. Therefore, 2.7% is used for forecast purposes related to the audit and insurance line items only. Other program expenses 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. In the first year of the forecast, the Home Visiting program will receive a total of \$263,116 (\$100,000 for Improved Child Development and \$163, 116 for Improved Family Functioning). Home visiting funding levels across result areas for years two through five are expected to be \$255,000, \$237,500, \$230,000 and \$220,000, respectively.

**Oral Health Program.** The financial forecast provides \$113,500 total over five years to support oral health and emergency oral health program services. Funding levels decline from \$43,496 in year one to \$10,000 in year five.

**Emerging Initiatives or Other Programs.** The forecast includes \$51,045 over the first two years. The first year funding includes a continuing Mini Grant (\$1,045) to support Improved Child Development and \$25,000 in years one and two for the Improved Systems Result Area. Funds will be used as a match from First 5 Lassen to support expanded collaboration and leverage other funding.

<p>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 2011 as needed to reflect changing needs and priorities.</p>
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## FIVE-YEAR FINANCIAL FORECAST

The following pages shows projected income and expense levels over the next five years, based on the objectives, principles, assumptions and strategies contained in this financial plan. The first projection shows the budget expenditures according to specific result areas and the second presents specific line item details. The second budget shows the forecast shows expenditures by program investment area.

5-Year Financial Projections by Result Area, FY 2011-2015	2010/11	2011/12	2012/13	2013/14	2014/15
<i>Amounts shown in thousands</i>					
<b>Beginning Fund Balance</b>	816.5	690.4	619.0	618.9	617.3
<b>Revenue</b>					
Emergency Oral Health Account	13.5	0.0	0.0	0.0	0.0
Annual Projected Allocations	200.0	200.0	200.1	200.0	200.0
Administrative Allocation	112.4	175.0	168.0	163.0	0.0
<b>Subtotal Revenue</b>	<b>1,142.4</b>	<b>1,065.4</b>	<b>987.1</b>	<b>981.9</b>	<b>817.3</b>
<b>Interest Earnings</b>	20.4	16.1	12.1	9.0	6.2
<b>Total Revenue</b>	<b>1,163.1</b>	<b>1,081.5</b>	<b>999.2</b>	<b>990.9</b>	<b>823.5</b>
<b>Expenses</b>					
<b>Community Programs/Services</b>					
Improved Child Development	101.0	100.0	100.0	100.0	100.0
Improved Child Health	43.5	25.0	20.0	15.0	10.0
Improved Systems	25.0	25.0	0.0	0.0	0.0
Improved Family Functioning	163.1	177.5	135.0	135.5	120.0
Technical Assistance - DM	24.0	22.0	18.5	18.5	18.4
Travel	3.0	2.5	2.0	2.0	1.5
Misc. Program Cost	3.5	3.5	3.5	3.5	3.5
Educational Materials/Media	2.5	2.5	2.5	2.5	1.0
<b>Subtotal Programs/Services</b>	<b>365.7</b>	<b>358.0</b>	<b>281.5</b>	<b>277.0</b>	<b>254.4</b>
<b>Evaluation</b>					
DM Personnel	14.3	14.3	12.8	12.6	12.5
Evaluation Contractor	12.0	9.0	8.0	7.0	4.7
Bailey Data Systems	6.0	6.0	5.0	4.0	3.5
<b>Subtotal Evaluation</b>	<b>32.3</b>	<b>29.3</b>	<b>25.8</b>	<b>23.6</b>	<b>20.7</b>
<b>Administration</b>					
DM Personnel	45.4	45.4	43.0	42.5	41.0
Rent	10.5	10.5	10.5	10.5	10.5
Utilities	2.0	2.0	2.0	2.0	2.0
Technology	2.1	2.1	2.1	2.1	2.1
Dues - F5AC	2.5	2.5	2.5	2.5	2.5
Audits	11.0	11.3	11.6	11.9	12.2
Insurance	1.3	1.3	1.4	1.4	1.4
<b>Subtotal Administration</b>	<b>74.8</b>	<b>75.1</b>	<b>73.1</b>	<b>72.9</b>	<b>71.8</b>
<b>Total Expenses</b>	<b>472.8</b>	<b>462.4</b>	<b>380.4</b>	<b>373.5</b>	<b>346.9</b>
<b>Ending Fund Balance</b>	<b>690.4</b>	<b>619.0</b>	<b>618.9</b>	<b>617.3</b>	<b>476.7</b>

5-Year Financial Projections by Program, FY 2011-2015	Total	2010-11	2011-12	2012-13	2013-14	2014-15
<b>Beginning Fund Balance:</b>		816.5	676.6	605.3	605.1	603.6
<b>Revenues:</b>						
Emergency Oral Health Account	13.5	13.5	-	-	-	-
Tobacco tax allocation	1,000.1	200.0	200.0	200.1	200.0	200.0
Administration and travel augmentation	618.4	112.4	175.0	168.0	163.0	-
Interest and other income	63.8	20.4	16.1	12.1	9.0	6.2
<b>Total revenues</b>	<b>5,056.9</b>	<b>1,162.9</b>	<b>1,081.2</b>	<b>999.0</b>	<b>990.6</b>	<b>823.3</b>
<b>Expenses:</b>						
Community programs and services:	1,395.7	332.7	327.5	255.0	250.5	230.0
Home Visiting	1,231.1	263.1	277.5	235.0	235.5	220.0
Oral Health	113.5	43.5	25.0	20.0	15.0	10.0
Emerging Initiatives/Mini Grant	51.0	26.0	25.0	-	-	-
Other program costs						
Misc. program costs	17.5	3.5	3.5	3.5	3.5	3.5
Travel	11.0	3.0	2.5	2.0	2.0	1.5
Educational materials/media	11.0	2.5	2.5	2.5	2.5	1.0
Program evaluation (Bailey DMS)	24.5	6.0	6.0	5.0	4.0	3.5
Program evaluation (contractor)	40.7	12.0	9.0	8.0	7.0	4.7
<b>Total community programs and services</b>	<b>1,395.7</b>	<b>359.7</b>	<b>351.0</b>	<b>276.0</b>	<b>269.5</b>	<b>244.2</b>
<b>First 5 operating costs:</b>						
Administration contract	458.2	98.3	96.3	88.9	88.2	86.5
Administration	217.3	45.4	45.4	43.0	42.5	41.0
Evaluation	66.5	14.3	14.3	12.8	12.6	12.5
Program support/TA	101.4	24.0	22.0	18.5	18.5	18.4
Rent	52.5	10.5	10.5	10.5	10.5	10.5
Utilities	10.0	2.0	2.0	2.0	2.0	2.0
Technology	10.5	2.1	2.1	2.1	2.1	2.1
Dues	12.5	2.5	2.5	2.5	2.5	2.5
Audit	58.1	11.0	11.3	11.6	11.9	12.2
Insurance	6.9	1.3	1.3	1.4	1.4	1.4
<b>Total operating costs</b>	<b>535.6</b>	<b>113.1</b>	<b>111.4</b>	<b>104.4</b>	<b>104.0</b>	<b>102.7</b>
<b>Total expenses:</b>	<b>2,036.0</b>	<b>472.8</b>	<b>462.4</b>	<b>380.4</b>	<b>373.5</b>	<b>346.9</b>
<b>Ending fund balance</b>		<b>690.1</b>	<b>618.8</b>	<b>618.6</b>	<b>617.1</b>	<b>476.4</b>

Percentage of Expenditures by Category	2010/11	2011/12	2012/13	2013/14	2014/15
Programs/Services	77.3%	77.4%	74.0%	74.2%	73.3%
Administration	15.8%	16.2%	19.2%	19.5%	20.7%
Evaluation	6.8%	6.3%	6.8%	6.3%	6.0%
	100.0%	100.0%	100.0%	100.0%	100.0%

