



**Long Term  
Financial Plan  
2007 - 2017**

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## I. Executive Summary

Since it was formed in 1998, the Imperial County Children and Families First Commission (Commission) has made significant community investment on behalf of children aged 0-5 and their families. As the Commission moves beyond its initial seven-year period of organizational growth and development, it enters an era in which it must make careful and difficult funding decisions (incorporating the reality that, as the desired effect of reducing smoking rates is achieved, the tobacco tax dollars on which Prop 10 funds are based are decreasing and will continue to decline).

The Commission began fiscal year 2006-2007 with:

- Financial Reserve Fund Balance of \$1.435 million;
- Uncommitted funds balance of about \$53 thousand;
- Anticipated annual Prop 10 reserved revenues of \$205 thousand
- Budgeted program investments of \$4.097 million (during two fiscal years)

The Commission directed that a long term financial plan be established, based on its recently updated strategic plan, as a framework to support future decisions regarding how to best use all its resources to make a sustained difference for children and families.

The Long Term Financial Plan establishes annual program investments that:

- Will continue to be maintained annually at a level between \$1.7 to \$1.95 million through the end of fiscal year ending 2017
- Are distributed to major grants and mini-grants that will not exceed \$250,000 and \$20,000 to each program, respectively

The Long Term Financial Plan provides that:

- The Commission will use current year Prop 10 allocation funds and existing carry-over funds to support program investment through 2010/11 and will begin to use reserves to support program investment in 2011/12;
- Reserves will be depleted in 2017/18; and
- Over the 10 years of the plan, the Commission is expected to receive \$21.1 million in Prop 10 revenues and allocate approximately \$23 million in program investments, funded in part by reserves.

The local commission expenditures over the next ten years will occur through two distinct periods of program investment:

1. Increased Reserves period from 2007/08 through 2010/11
  - The Commission will reserve \$205,000 during the four fiscal years, which will be added to the accumulated reserves from previous years
  - An additional current reserve amount of \$1.025 million will be maintained for safeguarding an unexpected reduction in tax revenues and will transfer \$205,000 annually to the reserve fund
  - A total projected reserve balance of \$2.46 million is expected by fiscal year ending 2011

2. Sustained Investment period from 2011/12 and beyond

- The Commission Expenses will be funded by both Prop 10 tax revenues and reserves
- Major Grant Programs – Total annual funding for all grants will range from \$1.7 to \$1.85 million
- Mini-Grants (optional) – Total annual funding will not exceed \$100,000

The Long Term Financial Plan (LTFP) is an integral part of the local commission’s ongoing planning cycle. On an annual basis, the plan will be updated with actual financial data and assumptions will be reviewed for continued accuracy. Changes to the Commission’s LTFP will be driven by changes in strategic direction and/or philosophy as reflected in the Strategic Plan which will also be reviewed and revised.

**Plan Periods Breakdown**

First Period					Second Period				
06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16
Increased Reserve					Sustained Investment				

## II. Financial Plan Goals, Objectives, Assumptions and Principles

### Long Term Financial Plan Goals

In its continued effort of maintaining programs that have benefited the county and provide funding assistance for future project's that will target the needs that arise, the Commission has developed the LTFP to extend its services to the community for a longer period of time. Since the population of Imperial County is projected to increase at a rate of 25% during the ten year planning period, the plan will allow for the amount of investment in programs to be stable and hedge the risk from any impact from an unplanned reduction of tax revenues. The main goals of the plan are:

- Develop a ten year plan for a view of the resources that will be available to the 0-5 age children and their families
- Maintain successful program commitments
- Provide funding for new programs
- Establish expectation of future funds needed to satisfy the short and long-term needs of the 0-5 age population

### Long Term Financial Plan Objectives

The financial plan will establish projected revenues and expenses on a yearly basis over a ten year time span. The main objective of the plan is to establish stability in funding through fiscal year 2016-2017. This plan will be reviewed annually and revised if needed to more accurately project future resource allocations. The main objectives of the plan include:

- Ensure a sustained level of funding for projects
- Provide a document for review of and update to changes in resources
- Establish a limit to the amount that is expensed on administrative costs on an annual basis
- Describe the approach used to offset the future decrease of tax revenues

### Financial Planning Model Assumptions

Plan projections are based on various factors provided from First 5 California, and forecasts commencing year 2011. Calculations are based on the following assumptions:

1. **Prop 10 revenues** – The financial planning model uses county-level projections provided by First 5 California for Prop 10 revenues through 2011. Beyond that, revenues are estimated based on the trend established by the Commission office to forecasting revenues using projections provided by First 5 California.

### Projected Prop 10 Revenues to Imperial County

By Fiscal Year, In Millions of Dollars

07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17
\$2.28	\$2.25	\$2.21	\$2.16	\$2.09	\$2.04	\$1.98	\$1.93	\$1.87	\$1.82

2. **Rate of interest earnings** – The general fund and reserve funds are both held with the County. At this time, interest rates (variable) are estimated at 2.5%.
3. **Disposition of interest earnings** – Interest earnings are used as a source of revenue for the future years and as information for revising plan.
4. **Reserve for School Readiness** – A reserve amount of about \$250,000 will be set aside for future school readiness match commitments
5. **Operating expenses** – The financial planning model uses budgeted 2006 levels as baseline, and assumes a .01% annual increase for inflation of the total operating budget. Operating expenses (budget) for program support and administration include salary and benefits, data collection and evaluation, services and supplies, school readiness administration, insurance and contracted/professional services.
6. **End of year Balance-** The plan projections do not include end-of-year unspent balances from total budgeted expenses (including program, evaluation and administrative expenses).
7. **Administrative Costs-** Annual administrative costs (which are to support the program and evaluation costs) will not exceed 15% of the total operating budget.
8. **Level of other revenues** – The Commission will look to extend its resources and increase its impact by exploring opportunities for local public and/or private sector partnerships. However, the model will not reflect matching or other revenues unless a commitment is established.

### **Long Term Financial Plan Principles**

This Financial Plan's principles provide guidance and procedures for the use of and revisions to the Long Term Financial Plan (LTFP).

1. The LTFP is designed to communicate the Commission's long term approach to funding; therefore, it estimates revenues and expenses over a 10 year time horizon.
2. The Commission will use the LTFP as the framework for annual development and/or updating of its two-year funding cycle and budget.
3. The LTFP will address programmatic funding commitments, and will not obligate the Commission to actual contracts or funding awards.
4. The Commission will update the financial model annually based on actual data and will review (and revise as appropriate) the LTFP when deemed necessary. As part of the update process, Commission staff will validate that the assumptions in the financial model are still appropriate and make any necessary changes.
5. Changes to the LTFP shall be approved by the Commission. Revisions to the LTFP will be approved prior to, in conjunction with, or in alignment with the development of the two-year funding cycle and/or the annual budget.
6. In order to effectively implement the Long Term Financial Plan, and as input to the two-year funding cycles and annual budgets, the Commission will regularly review data on the distribution and impact of its program investment (both current and committed). These data will include:
  - a. Distribution of program investment across Goals and Results;
  - b. Proportion of program investment made through Major grants and Mini-grants;
  - c. Proportion of program investment made through "dedicated programs" (if any);
  - d. Geographical areas and target populations served.

### III. Long-Term Financial Forecasts

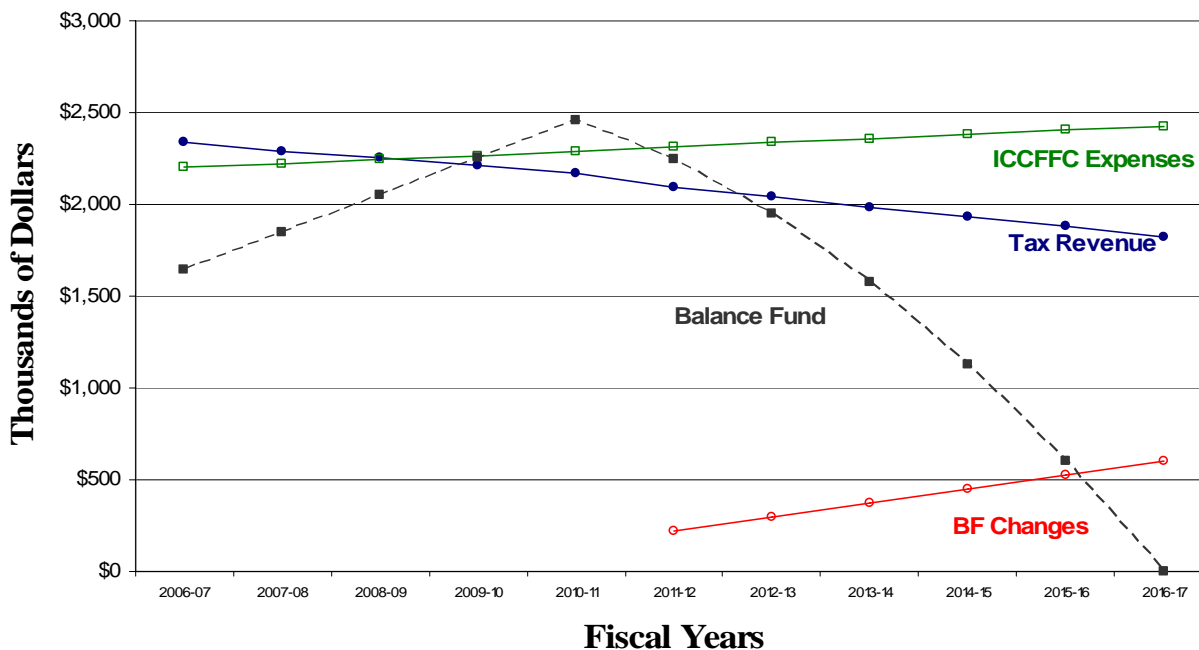
Proposition 10 revenues distributed to the Imperial County will be decreasing annually. The Commission will reserve an amount equal to \$205,000 for every year since it was adopted and will reserve the same amount during subsequent years until fiscal year ending 2010-11. Commencing year 2011-2012, the reserve balance will begin to decrease by the amount needed to offset the gap between annual tax revenues and total year expenses. Since tax revenues will descend year after year and expenses will be slightly increasing, the gap will continue to widen; thus the amount funded through reserves will be increasing and the reserve fund will be decreasing annually. The following table and chart depict the estimated end of year 2006-07 and a projection of the ten-year plan (2007-2017). The projections include the following columns: Tax Revenue are annual Prop 10 revenues; ICCFFC Expenses are total year expenses which includes program, evaluation and administrative expenses; Reserve Fund is the balance set aside by the end of the fiscal year; and Reserve Fund Changes is the amount by which the reserve balance is increased during the Increased Reserve period or decreased during the Sustained Investment period.

**Ten-Year Summary of Financial Projections**  
Thousands of Dollars by Fiscal Year

<b>Fiscal Years</b>	<b>Tax Revenue</b>	<b>ICCFCC Expenses</b>	<b>Reserve Fund</b>	<b>RF Changes</b>
<b>2006-2007</b>	2,335	2,200	1,640	205
<b>2007-2008</b>	2,287	2,222	1,845	205
<b>2008-2009</b>	2,250	2,244	2,050	205
<b>2009-2010</b>	2,211	2,267	2,255	205
<b>2010-2011</b>	2,169	2,289	2,460	205
<b>2011-2012</b>	2,096	2,312	4,244	(216)
<b>2012-2013</b>	2,041	2,335	1,950	(294)
<b>2013-2014</b>	1,987	2,359	1,578	(372)
<b>2014-2015</b>	1,932	2,382	1,128	(450)
<b>2015-2016</b>	1,878	2,406	599	(528)
<b>2016-2017</b>	1,823	2,423	0	(599)

\* Fiscal year not part of ten-year financial plan

## Summary of Financial Projections



### IV. Long-Term Financial Strategy

The Commission will face many challenges and opportunities during the financial plan years. In anticipation of such occurrences a strategy must be adopted to outline the approach the Commission will take in order to magnify on opportunities and offset challenges.

#### Long-Term Financial Challenges and Opportunities

Future challenges and opportunities the Commission might experience are:

- Tax revenues could increase or decrease in larger amounts than projected
- Additional state required commitments may be imposed that will affect projected annual expenses
- Previous year balances may be significantly large
- Not enough programs requesting funds during a funding cycle may be perceived as not being capable for funding and therefore the Commission may not award amounts as expected

#### Long-Term Financial Strategy

The Commission will review the LTFP on an annual basis and modify the plan according to any financial changes that occurred during previous years. Various approaches to changes will be as follows:

- If revenues were to increase Commission may move the plan forward to future years, implementing the Sustained Investment period at a later year.
- If revenues were to decrease larger than projected the Sustained Investment period may be implemented sooner and/or the annual expenses may be reduced.

- If a large balance from previous years is accumulated the financial plan will be redrafted to either increase award amount or implement the Sustained investment period at a later date
- If award amounts are decreased below the projected award ranges the Commission will increase award amounts during the subsequent funding cycle

Regardless of changes in revenues and expenses, the Commission will review the LTFP every year and modify the plan every two years, through the input of updated actual figures.