



Long-Term Financial Plan 2017 - 2027

Table of Contents

	<u>Page</u>
Section I. Executive Summary	3
Section II. Financial Plan Goals, Objectives, Assumptions and Principles	4
Section III. Long-Term Financial Forecasts	6
Section IV. Long-Term Financial Strategy	9

Section I. Executive Summary

Since it was formed in 1998, the Imperial County Children and Families First Commission (Commission), now branded and more commonly referred to as First 5 Imperial, has made significant community investments on behalf of children aged 0-5 and their families. After nearly 20 years of funding the Commission has finalized one Fund Balance period, the Increased Reserve period, and commenced the Sustained Investment period. Upon conducting forecasts these stages were planned in order to offset any impact of the eventual decrease of future state tobacco tax revenues. The Increased Reserve period consisted of planning years in which revenues exceeded expenses; thus, accumulating this surplus to increase the Reserve Fund. This was done in order to accumulate funds for future decreased revenue periods. The Sustained Investment period consists of budgeting expenses for amounts larger than the projected revenue and covering the deficit with the use of funds taken from the Reserve Fund accumulated during the Sustained period. During this period the Reserve Fund and any uncommitted funds would be reduced consistently. This Long-Term Financial Plan will provide a summary of where the Commission's Reserve Fund is at currently and what is planned during the next ten years.

The Commission began fiscal year 2017-2018 with:

- Financial Reserve Fund Balance of \$2.05 million;
- Uncommitted funds balance of approximately \$277 thousand;

- Budgeted program investments of \$2.24 million (remainder of fiscal year)

The Long-Term Financial Plan establishes annual program investments that:

- Will be maintained annually at a level between \$1.6 to \$2.4 million through the end of fiscal year 2027
- Are distributed to major grants and mini-grants that will not exceed \$250,000 and \$25,000 to each program, respectively

The Long-Term Financial Plan provides that:

- The Commission is currently in the Sustained Investment period
- Reserves may be depleted in 2026-2027
- Over the 10 years of the plan, the Commission is expected to receive \$20 million in Prop 10 revenues and spend approximately \$22.5 million in the distribution of grants, funded in part by reserves.

The local Commission expenditures over the next ten years are estimated to exceed annual tax revenues and thus will reduce reserved funds to offset the difference. The Commission has completed the Increased Reserve period and commenced the Sustained Investment period. During this period, total annual funding for Major Grants will range from \$1.6 to \$2.4 million, Mini-Grants (optional) will not exceed

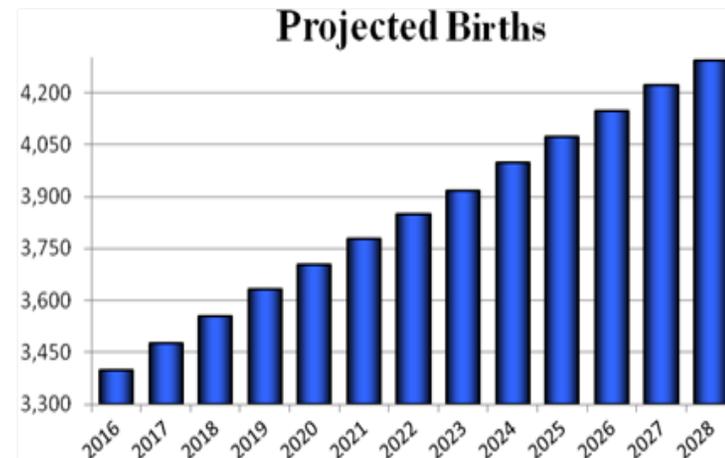
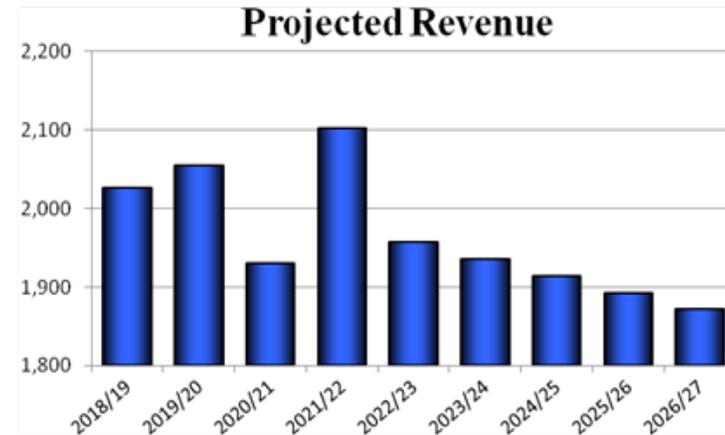
\$125,000 and Commission administered programs or initiatives will not exceed \$300,000.

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

Long-Term Financial Plan Goals

With the purpose of maintaining services to children 0-5 and their families, the Commission has adopted a LTFP. This would help local Projects maintain a level of services provided as well as provide funding to Projects that plan to serve additional specific needs in the community. The purpose of this planning is done in order to offset the decrease in revenue that is planned for future years. Revenues are expected to consistently decrease, even though the county is expected to have an increase in birth rates during the same ten-year time span as illustrated on the charts below. With this approach the Commission will:

- 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 2026-2027. This plan will be reviewed biannually 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
- Maintain 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 2017. Calculations are based on the following assumptions:

1. **Prop 10 revenues** – The financial planning model uses a combination of county-level projections provided by First 5 California and revenues estimated based on the trend established by the Commission office to forecast revenues. State Projections are used until the fiscal year ending

2021-2022, and Commission office projections from there on.

Proposition 10 revenue projections will be monitored closely and adjusted regularly based on assumptions related to a decrease in cigarette tax revenues due to the implementation of Proposition 56, and projections for an increase in Other Tobacco Product (OTP) revenue due to the inclusion of e-cigarettes. Projections will continue to consist of estimates for revenue by the Department of Finance provided to First 5 California and offset or compared to estimates made by the Commission.

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 .71%.
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 Special Programs** – A reserve amount of approximately \$400,000 will be set aside for future the Commission's Special Programs Component, such as school readiness, IMPACT, car seat program, or other new funding commitments.
5. **Operating Expenses** – The financial planning model uses \$2.77 million as a projected expense amount for the first fiscal year (2017-2018 and afterward is maintained to not fall below \$2 million by the last year of the plan 2026-2027). Operating expenses (budget

include evaluation, administrative and program costs.

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 span.
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. 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.
5. In order to effectively implement the 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

Section III. Long-Term Financial Forecasts

Proposition 10 revenues distributed to the Imperial County have been decreasing annually. The Commission reserved an amount equal to \$205,000 for every year since it was adopted during the Increased Reserve period ending on 2008-2009. During this period the total Reserve Fund Balance has accumulated \$2.05 million and maintains an Unreserved Fund Balance of

approximately \$277 thousand. The Commission commenced the Sustained Investment period on fiscal year 2009-2010. During this period, reserve and unreserved balance funds have been spent to offset the excess of total year expenditures over annual tax revenues during every year. Tax revenues and expenses will normally descend year after year, though expenses will always exceed revenues every year. The following table and chart depict the projection of the ten-year plan (2017-2027). The projections include the following

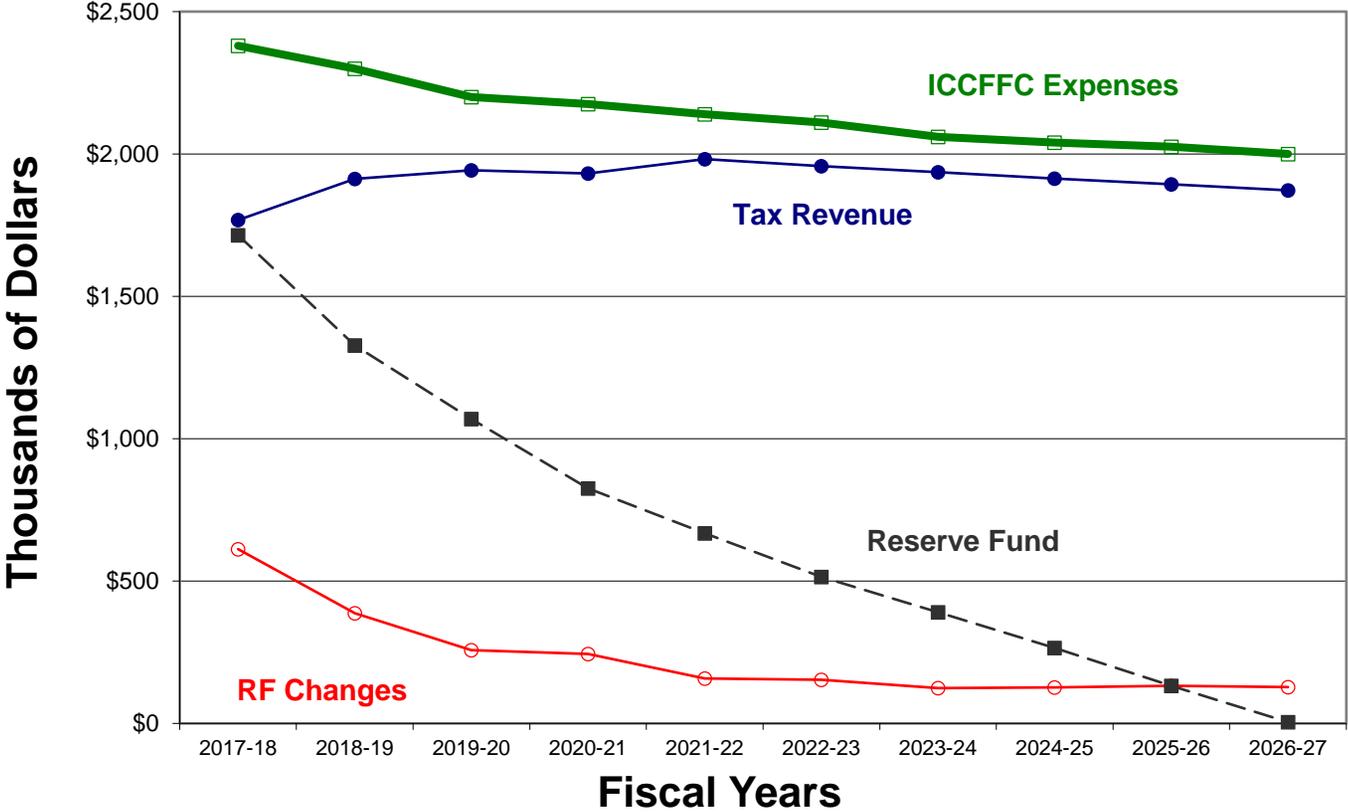
columns: Tax Revenue are annual Prop 10 revenues; ICCFFC Expenses are total year expenses which includes program, evaluation and administrative expenses; Reserve Fund (RF) is the combination of the reserved and unreserved balance; and Reserve Fund Changes is the amount by which the Reserve Fund balance is decreased during the Sustained Investment period.

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

Fiscal Years	Tax Revenue	ICCFFC Expenses	Reserve Fund	RF Changes
2017-2018	1,767	2,380	1,714	(612)
2018-2019	1,912	2,300	1,327	(387)
2019-2020	1,942	2,200	1,069	(257)
2020-2021	1,931	2,175	825	(244)
2021-2022	1,981	2,140	667	(158)
2022-2023	1,957	2,110	514	(153)
2023-2024	1,936	2,060	390	(124)
2024-2025	1,914	2,040	264	(126)
2025-2026	1,893	2,025	132	(132)
2026-2027	1,872	2,000	4	(128)

* All figures are rounded

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 exist
- 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
- The Commission may continue to receive funds for special programs that are directly allocated from Imperial County's apportionment of Proposition 10 revenue.

Long-Term Financial Strategy

The Commission will review the LTFP on a bi-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 a prolonged Sustained Investment period to a later year
- If revenues were to decrease at a larger amount than projected the Sustained Investment period may shorten to less than seven years.
- 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 at least every two years and modify the plan as needed, through the input of updated actual figures