FIRST 5 RIVERSIDE COUNTY | FINANCE SUBCOMMITTEE

Fund Balance Policy and Three Year Investment Outlook

Information and discussion | November 17, 2026

The Subcommittee is reviewing the reserve policy alongside the three-year investment projection for the 2027–2030 Strategic Plan. No policy amendment or investment authorization is requested at this meeting.

Current policy and fiscal context

The 2018 policy sets a $10 million reserve: $4 million of minimum working capital in unassigned fund balance and $6 million committed for budget stabilization. The latter has a specific use trigger when revenue falls 10% below budget. The working projection starts FY 2027–28 with a $24.29 million total fund balance. IMPACT ends in FY 2026–27, Proposition 10 revenue continues to decline, and Family Resource Center operating costs exceed the $2.5 million annual reimbursement.

What the working model shows

Scenario test	Three-year draw	FY 2029–30 balance	Current $10m target
Continue current spending	$25.00m	($0.71m)	Below
Strategic shifts; no FFPSA	$14.47m	$9.82m	Below
Shifts + modeled FFPSA	$10.99m	$13.31m	Above
Level salaries/benefits + FFPSA	$8.91m	$15.38m	Above

The no-change path exhausts the balance. Shifts without a match end slightly below the current $10 million target. The $13.31 million result assumes FFPSA claiming and collection; the $15.38 million salary and benefits sensitivity also includes that match. Total fund balance includes committed and minimum reserves and is not all available for new investments.

Fund Balance Policy

Option A Fixed reset. “The Commission shall maintain a $15,000,000 reserve: $6,000,000 minimum working capital in unassigned fund balance and $9,000,000 budget stabilization in committed fund balance. Staff shall test the amount at each budget adoption and recommend a formal reset at least every three years.”

At FY 2029–30, the modeled FFPSA path would be $1.69 million below this floor; the level salaries and benefits sensitivity would be $0.38 million above it.

Option B Five-month formula. “At each budget adoption, the reserve shall equal five-twelfths (41.67%) of the adopted annual recurring Fund 25800 operating budget, but not less than $10,000,000: two-twelfths (16.67%) as unassigned working capital and three-twelfths (25%) as committed stabilization. If the $10 million floor applies, allocate it 40% and 60%, respectively.”

The base includes personnel, FRC operations and continuing contracts, including reimbursed services for which First 5 carries the cash-flow obligation. Exclude one-time capital and time-limited investments. As a scale check, 41.67% of the FY 2026–27 total expense projection of $31.48 million is $13.11 million before exclusions; Finance must calculate the adopted recurring base.

Shared safeguard. Retain the current 10% below-budget revenue trigger for use of committed stabilization. At budget adoption, staff shall present a rolling three-year forecast. A budget projecting a balance below the reserve requires separate Commission action stating the amount, purpose, duration, correction to spending or revenue, and a plan to restore the reserve within three years.