

AGENDA

SPECIAL JOINT MEETING OF THE BOARD OF COMMISSIONERS AND THE BUDGET & FINANCE AND EXECUTIVE COMMITTEES

Budget & Finance Committee Chair: Robert Byrd

Thursday, December 10, 2015
10:30 AM

Meeting Location:
First 5 LA
750 N. Alameda Street
Los Angeles, CA 90012



ASPOSE

Your File Format APIs

1. **ACTION**
Call to Order
- **Sandra Figueroa-Villa, Chair**
2. **INFORMATION** **3**
Review Budget and Finance Committee Meeting Notes - September 16, 2015
- **Sandra Figueroa-Villa, Chair**
3. **INFORMATION** **7**
Monthly Financial Statements
- **Raoul Ortega, Finance Director**
4. **INFORMATION** **13**
Long Term Financial Projection
- **Alison Mendes, Finance Manager**
5. **INFORMATION** **38**
FY 2016-17 Budget Calendar
- **Raoul Ortega, Finance Director**
6. **INFORMATION**
Public Comment
7. **ACTION**
Adjournment

COMMISSIONERS

Los Angeles County Supervisor	Judy Abdo	Summer McBride
Holly J. Mitchell	Robert Byrd, Psy.D	Maricela Ramirez
<i>Chair</i>	Astrid Heger, M.D.	Carol Sigala
Brandon Nichols	Yvette Martinez	
<i>Vice Chair</i>		

EX OFFICIO MEMBERS

Barbara Ferrer, Ph.D.,
M.P.H., M.Ed.
Jacquelyn McCroskey, DSW
Deanne Tilton

EXECUTIVE DIRECTOR

Karla Pleitez Howell

EXECUTIVE VICE PRESIDENT

John A. Wagner

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A PUBLIC ENTITY



SUMMARY MEETING NOTES

**FIRST 5 LA
SUMMARY MEETING NOTES
Meeting of the Budget & Finance Committee
September 16, 2015**

COMMITTEE MEMBERS PRESENT:

Sandra Figueroa-Villa [Vice Chair]
Marvin Southard [Chair]

COMMISSIONERS PRESENT

Suzanne Bostwick [Alternate]

COMMITTEE MEMBERS ABSENT:

Judy Abdo [EXCUSED]
Jane Boeckmann [EXCUSED]

STAFF PRESENT:

Kim Belshé, Executive Director
Faustino Genio, Staff Accountant
Alison Mendes, Finance Manager
Teresa Nuno, Chief of Programs and Planning
Raoul Ortega, Finance Director
Linda Vo, Board Secretary
John Wagner, Chief Operating Officer

1. Call to Order/Roll Call

The meeting was called to order by Committee Chair Southard at 2:02 pm. Roll call completed.

2. Review of Meeting Notes – Budget and Finance Committee, June 1, 2015

The item was reviewed and received and filed with no deletions, additions, and/or changes.

3. Monthly Financial Statements

Mr. Ortega goes over the current monthly financial statements for the month ending July 31, 2015. As anticipated, the statements represent business as usual and current revenue is coming in on time. He informs that Committee that most transactions that appear in July include actual activities that took place in the previous fiscal year.

Mr. Ortega informs the Committee that staff has already presented these financial statements to the September Commission meeting for approval.

4. Review Draft of the Comprehensive Annual Financial Report (CAFR), Including the Independent Auditor's Report for the Fiscal Year Ending June 30, 2015

Mr. Ortega begins the presentation by reminding the Committee members of what a CAFR is and proceeds to inform that Committee that the goal of the presentation today will be to highlight the following:

1. Independent Auditor's Report
2. Achievements
3. Changes to the presentation of the Financial Statements
4. FY 2014-15 Highlights
5. 3 Year comparisons
6. Next Steps

Mr. Ortega now hands off the presentation to Mr. Genio.

Mr. Genio informs the Committee that the CPA firm of Vavrinek, Trine, Day & Co. noted the financial statements from First 5 LA are presented fairly, which represents a clean audit. He says that there were no adjusting entries required nor were there any findings or observations.

SUMMARY MEETING NOTES

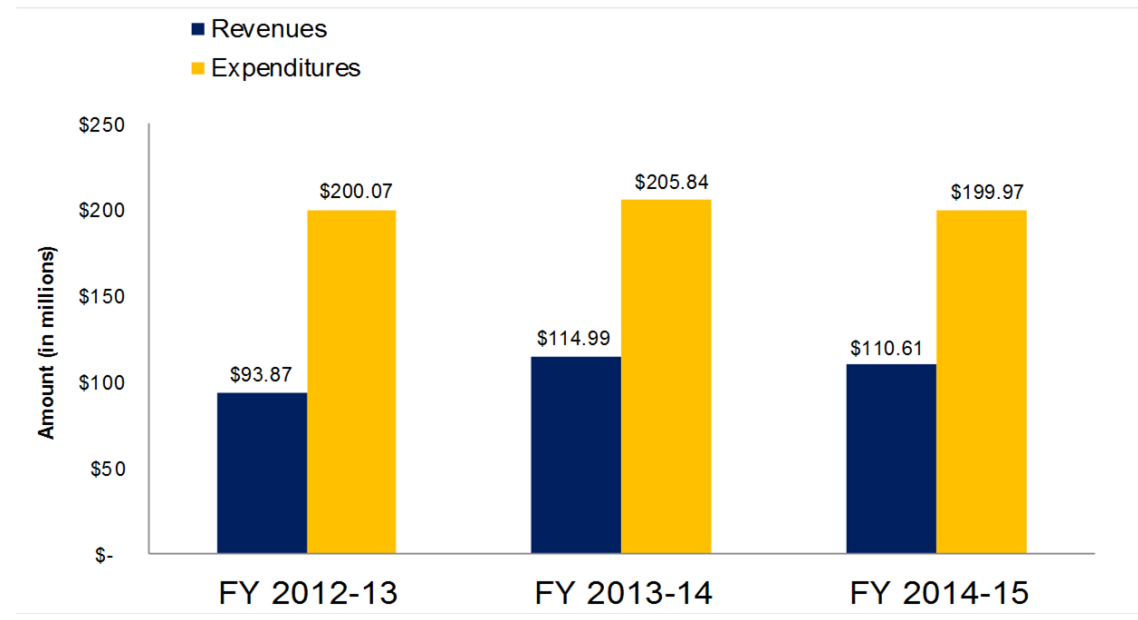
He did note that for the seventh consecutive year, First 5 LA received the Certificate of Achievement for Excellence in Financial Reporting for FY 2013-14 from Government Finance Officers Association (GFOA).

Mr. Genio continues his presentation and states that the financial statements show pass-through expenditures (e.g. Child Signature Program and PFF- Jan-June 2015) as separate from provider grant and allocations. The statements also show a fair market value adjustment that is presented separately from investment income.

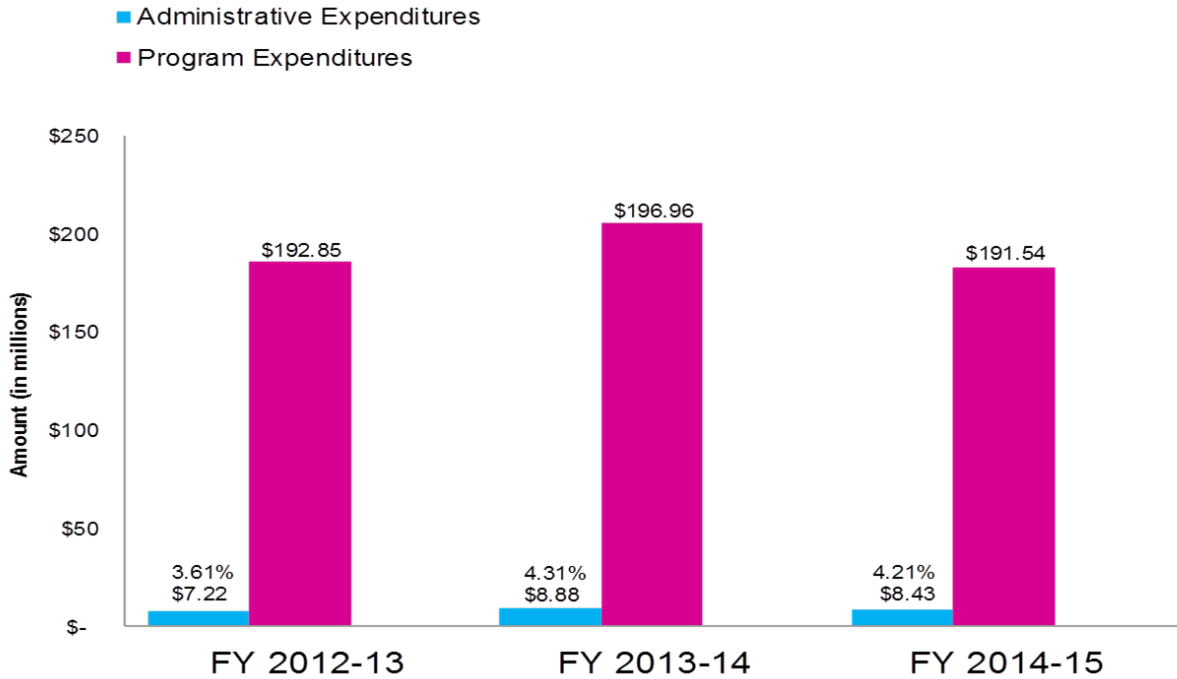
Some other highlights Mr. Genio notes are as follows:

- June 2014: Commission approves FY 2014-15 total budget of \$240.56 million:
 - Program Budget = \$221.20 million
 - Operating Budget = \$19.36 million
- The Board approved a revised budget in March 2015 of \$225.47 million:
 - Program Budget = \$206.11 million
 - Operating Budget = \$19.36 million
- Total revenue of \$110.61 million, of which \$89.48 million is for tobacco tax
- Total expenditures of \$199.97 million:
 - Program expenditures = \$182.99 million
 - Operating expenditures = \$16.98 million
- Fund Balance as of June 30, 2015 = \$536.63 million
 - Decrease of \$89.30 million from prior year

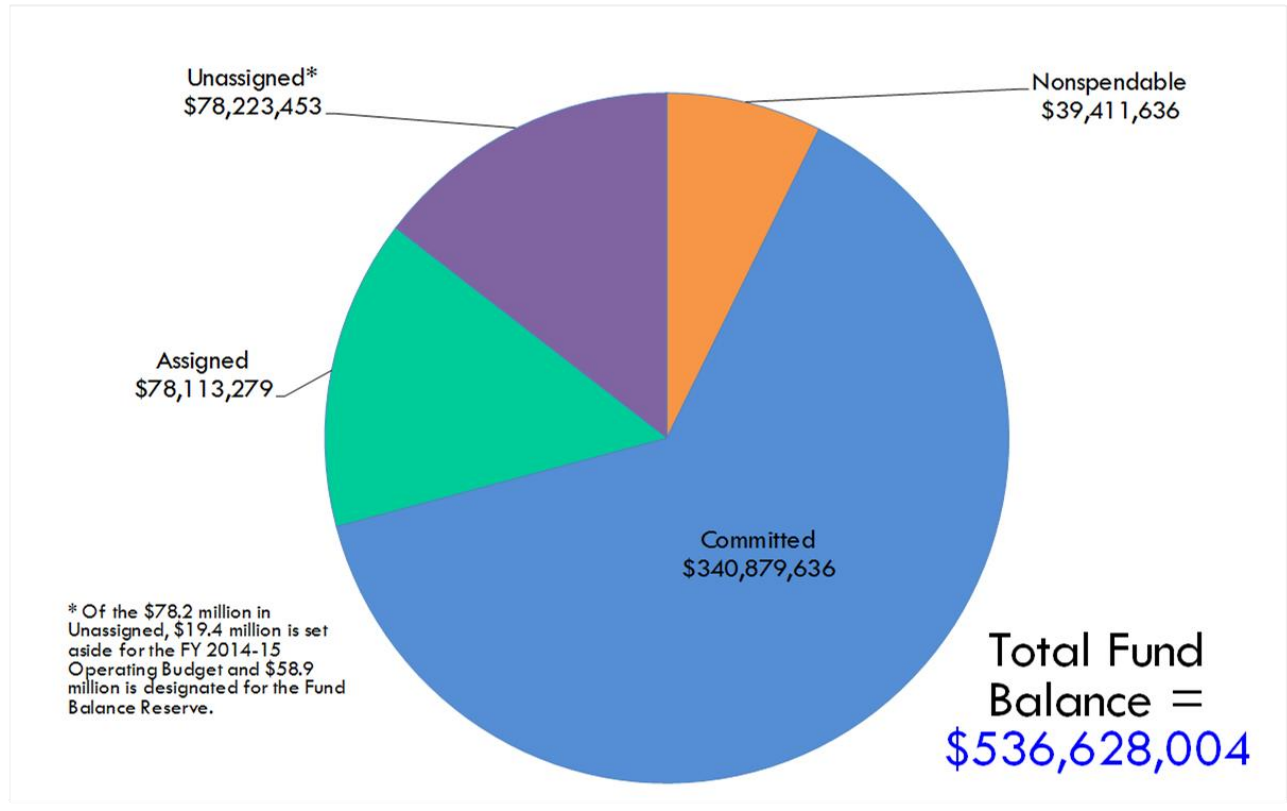
Mr. Genio continues his presentation by explaining the following charts:



SUMMARY MEETING NOTES



The Chart below is the fund balance as of June 30, 2015.



SUMMARY MEETING NOTES

Ms. Belshé asks Mr. Genio to elaborate on the change he noted earlier about what is different about the financial statements from the previous strategic plan, as it relates to assigned funds. Mr. Genio states that on the previous strategic plan, the assigned bucket had a separated amount for program, admin and research and evaluation costs. On the new strategic plan, there is no distinction between these three amounts/categories.

Regarding next steps, Mr. Genio informs the Committee that staff plan on presenting this CAFR presentation at the following meetings:

- Executive Committee
- Program and Planning Committee
- Board of Commissioners October meeting

As a part of this process, staff will also be coming back to the Budget and Finance Committee and Commission with the Long term financial projection. And if needed, will come back to the Commission with FY 2015-16 midyear budget adjustments for its review and approval.

Committee Chair Southard would like to know if, for presentation purposes, another word could be used to talk about nonspendable funds. Mr. Ortega responds by saying that this is the proper term used in audits so staff would not be able to change it, though appreciates and understands how confusing this term can be.

Commissioner Bostwick would like to know a little more about what fair market value means.

Mr. Ortega informs that Committee that First 5 LA has a certain amount invested and whatever the value is estimated to be at the time. It remains to be just an estimate depending on if and when the money is pulled out.

Ms. Belshé now asks the Committee if it would be helpful to include more details of what took place during the audit so that Commissioners will have a better understanding.

Committee Chair Southard says that because the Budget and Finance Committee is already familiar with the process, he doesn't feel that it is necessary to add more details. However, he goes on to say that if more details were to be added, examples of the different tests completed during the audit. Committee Chair Southard says that it might be helpful to know how the audit was conducted to the degree that tests were done to conclude that the audit was clean, with no findings.

There is no further discussion on this item.

ADJOURNMENT:

The meeting was adjourned at 2:43 pm.

NEXT MEETING:

The next Budget and Finance Committee meeting will take place on Thursday, December 10, 2015 at 10:30 am.

First 5 LA
Conference Room B, First Floor
750 N. Alameda Street
Los Angeles, CA 90012

Summary minutes were recorded by Linda Vo, Secretary of the Board of Commissioners.

FIRST 5 LA

SUBJECT:
Monthly Financial Reports

RECOMMENDATION:
Approval of the monthly financial statements for the month ending October 31, 2015.

BACKGROUND:
Staff provides monthly financial reports for the Commission's review and approval to ensure transparency of the financial status of First 5 LA.

DISCUSSION:
First 5 LA began the month with a cash balance of \$545.8 million. During the month, we received \$9.0 million in revenues. We had \$1.7 million in operating expenditures, \$9.8 million in program expenditures, and \$808,306 in pass-through expenditures. As a result, First 5 LA ended the month with a cash balance of \$542.5 million.

This report includes detailed financial information for the month ending October 31, 2015. The financial statements are unaudited and reported as a "soft close." All materials in this packet and check registers are available online. Statements in this report include the following:

- Revenue and Expense Statement: Summarizes financial statements to highlight the starting cash balance, revenues received, program and operating expenses, and the ending cash balance for the month.
- Balance Sheet: Provides a "snapshot" view of the Commission's assets, liabilities and fund balance as of October 31, 2015.
- Detailed operating and program expenditures: Shows expenses against the FY 2015-16 Budget approved on June 11, 2015, concluding with a report of expenditures related to programs functioning as pass-through agreements.

**Los Angeles County Children and Family First -
Proposition 10 Commission (aka) First 5 LA
Revenue and Expense Statement
October 31, 2015, Unaudited**

	REVENUES AND EXPENDITURES	
Cash Balance as of September 30, 2015	\$ 545,822,828	
Revenue		
Monthly State Allotments	\$ 8,002,450	(1)
State Commission Matching Grant - Cares Program	-	
Medi-Cal Administrative Activities (MAA)	-	
State Commission - Other Program Funds	-	
Interest Income - Unreserved	214,879	
Investment Income - Other	-	
Rental Revenue - La Petite	9,229	
Partnerships for Families (PFF) - LA County Dept. of Children and Family Services (DCFS)	746,342	
Total Revenue	\$ 8,972,899	
Expenses		
Program Budget (Attachment A)		
2015-2020 Strategic Plan: Focusing For The Future	\$ 3,540,195	
Legacy Investments	5,951,449	
Research and Evaluation	340,324	
Total Initiative/Program Expenses	\$ 9,831,968	
Pass-Through (Attachment B)		
Medi-Cal Administrative Activities (MAA)	\$ -	
Child Signature Program (CSP)	-	
Partnerships for Families (PFF) - LA County Dept. of Children and Family Services (DCFS)	808,306	
Total Pass-Through Expenses	\$ 808,306	
Operation and Administration (Attachment C)		
Personnel	\$ 1,482,405	
General Operating	74,758	
Professional Services	12,499	
Consultant Services	90,742	
Travel & Meetings	27,785	
Capital Improvements	1,146	
Total Operation and Administration	\$ 1,689,334	
Total Expenses	\$ 12,329,608	
Variance (Revenues - Expenses)	\$ (3,356,709)	
Cash Balance as of October 31, 2015	\$ 542,466,119	(2)

NOTE:

- 1) Tobacco Tax Revenue for August 2015.
- 2) Cash Balance excludes fixed assets and liabilities.

LOS ANGELES COUNTY CHILDREN AND FAMILY FIRST - PROPOSITION 10 COMMISSION (AKA FIRST 5 LA)
PROGRAM EXPENDITURES BY FY 2015-16 BUDGET
OCTOBER 31, 2015, UNAUDITED

INITIATIVE/PROGRAM	FY 2015-16 BUDGET*	OCTOBER EXPENDITURES	FISCAL YTD EXPENDITURES	BALANCE REMAINING
2015-2020 STRATEGIC PLAN: FOCUSING FOR THE FUTURE				
Investments and Approaches Reaffirmed by the Board and Aligned with SP				
Families: Placed-Based - Welcome Baby/Select Home Visiting	36,603,000	2,159,449	4,359,175	32,243,825
Communities: Place-Based - Community Capacity Building	17,029,000	1,099,658	1,687,482	15,341,518
Policy Agenda/Advocacy	2,797,000	82,000	92,000	2,705,000
Communications & Marketing	4,672,000	68,817	216,797	4,455,203
Communications - Conference Funding	200,000	10,058	20,058	179,942
Existing Investments Potentially Aligned with SP				
Healthy Kids	2,250,000	-	-	2,250,000
Information Resource and Referral	1,360,000	101,010	295,810	1,064,190
New Investments Under Development (Strategic Plan Implementation Fund)				
Families	636,000	-	-	636,000
Communities	1,093,750	174	174	1,093,576
Early Care & Education (ECE) Systems	370,000	18,974	44,956	325,044
Health, Mental Health & Substance Abuse Systems	546,250	55	55	546,195
Other/Cross - Cutting Activities	490,000	-	-	490,000
LEGACY INVESTMENTS				
At-Risk Fathers Investment	150,000	-	-	150,000
Baby Friendly Hospitals	1,245,000	63,699	63,699	1,181,301
Black Infant Health	1,955,000	-	47,557	1,907,443
Children's Dental Care	10,656,000	521,857	683,027	9,972,973
Children's Vision Care	1,341,000	72,977	93,955	1,247,045
Early Identification and Intervention - Autism and other Developmental Delays	818,000	72,741	144,363	673,637
ECE Environmental Scan	80,000	-	-	80,000
Healthy Food Access	2,064,000	169,215	247,542	1,816,458
Little by Little/One Step Ahead	3,515,000	-	288,909	3,226,091
Los Angeles Universal Preschool (LAUP)	55,423,000	2,683,835	2,683,835	52,739,165
Oral Health & Nutrition - Dental Home	3,904,000	174,440	174,440	3,729,560
Parent Child Interaction Therapy	4,642,000	101,242	101,242	4,540,758
Partnerships for Families (PFF)	150,000	-	-	150,000
Peer Support Groups for Parents	1,469,000	154,878	154,878	1,314,122
Policy Advocacy Fund	2,194,000	224,699	405,793	1,788,207
Reducing Childhood Obesity	15,462,000	-	-	15,462,000
Resource Mobilization - ECE	1,225,000	77,933	121,059	1,103,941
Resource Mobilization - Funder Partnership	60,000	-	2,474	57,526
Resource Mobilization - Health	1,540,000	53,336	53,336	1,486,664
Resource Mobilization - Organizational Capacity Building	550,000	70,000	70,000	480,000
Resource Mobilization - Project Development	-	4,139	4,139	(4,139)
Tot Parks and Trails	660,000	-	-	660,000
Universal Assessment of Newborns	8,785,000	552,633	985,865	7,799,135
Workforce Development	2,522,000	43,655	43,655	2,478,345
Workforce Development - ECE Workforce Consortium	12,798,000	910,169	910,169	11,887,831
RESEARCH AND EVALUATION				
Data Development and Integration	2,527,000	117,427	332,816	2,194,184
Data Development with Funders	900,000	-	-	900,000
Program Evaluation	4,240,000	222,897	660,274	3,579,726
TOTAL	208,922,000	9,831,968	14,989,533	193,932,467

* The FY 2015-16 Budget was approved by the Board of Commissioners on June 11, 2015

NOTES -PROGRAM EXPENDITURES BY FY 2015-16 BUDGET:

Journal entries for FY 2014-15 accrued expenses were reversed in July 2015. The amounts reported are the actual program expenditures for October 2015.

LOS ANGELES COUNTY CHILDREN AND FAMILY FIRST - PROPOSITION 10 COMMISSION (AKA FIRST 5 LA)
 EXPENDITURES - PASS-THROUGH
 OCTOBER 31, 2015, UNAUDITED

Attachment B

INITIATIVE/PROGRAM - PASS-THROUGH	OCTOBER EXPENDITURES	YEAR TO DATE EXPENDITURES
Medi-Cal Administrative Activities (MAA) - LA County Charges	-	-
Medi-Cal Administrative Activities (MAA) - Participation Payment	-	8,351
Child Signature Program (CSP)	-	-
Partnerships For Families - LA County Department of Children and Family Services (DCFS)	808,306	1,561,606
TOTAL	808,306	1,569,957

**Los Angeles County Children and Family First -
Proposition 10 Commission (aka) First 5 LA
Operating & Administrative Budget Update
October 31, 2015, Unaudited**

OPERATION AND ADMINISTRATION EXPENSE	OCTOBER ACTUAL	FISCAL YTD ACTUAL	FY 2015-16 BUDGET	FISCAL YTD VARIANCE
Personnel Related Expenses				
Salaries & Wages	1,200,393	3,421,658	12,387,038	8,965,380
Fringe Benefits	282,012	1,058,760	3,980,943	2,922,183
	1,482,405	4,480,418	16,367,981	11,887,563
General Operating Expenses				
ADP Payroll Charges	2,425	8,790	31,000	22,210
Workers Compensation Insurance	(6,690)	(6,690)	100,000	106,690
Corporate Insurance	-	28,999	76,000	47,001
Mileage Expense	6,010	12,431	61,850	49,419
Telephones & Modems	10,492	22,233	65,000	42,767
Printing	1,541	5,678	19,200	13,522
Postage & Delivery	1,107	5,507	13,300	7,793
Office Supplies	5,315	22,131	83,980	61,849
Subscriptions & Publication	317	1,298	10,060	8,762
Equipment Rental	8,752	29,506	118,200	88,694
Repair & Maintenance - Furniture & Fixtures	14,029	116,954	180,000	63,046
Repair & Maintenance - Equipment	610	1,645	32,000	30,355
Rents & Lease - Offsite Storage	473	10,411	23,700	13,289
Los Angeles County Overhead	5,725	11,725	27,000	15,275
Contingency	5,275	18,456	75,000	56,544
Facilities & Other Supplies	-	23	12,150	12,127
Utilities	14,156	77,576	155,000	77,424
Educational Supplies	-	341	5,300	4,959
Cell Phones	2,225	10,210	52,250	42,040
Hardware & Software Maintenance	2,995	31,442	258,000	226,558
	74,758	408,666	1,398,990	990,324
Professional Services				
Audit and Accounting Fees	-	30,250	70,000	39,750
Legal Fees	-	21,018	175,000	153,982
Membership Dues	669	1,731	82,100	80,369
Professional Development	2,268	12,803	210,800	197,997
Professional Dues First 5 Association	-	-	50,000	50,000
Staff Recruitment	6,225	6,802	25,000	18,198
Commission Stipends	1,806	1,806	34,000	32,194
Human Resources Related Costs	1,532	12,523	68,000	55,477
	12,499	86,932	714,900	627,968
Consultant Services				
Consultant Fees	67,237	212,881	1,491,000	1,278,119
Other Professional Fees	23,505	86,262	237,500	151,238
External Reviewers	-	6,020	5,000	(1,020)
	90,742	305,163	1,733,500	1,428,337
Travel & Meetings				
State Prop 10 Commission Activities	-	-	40,000	40,000
Conferences - Travel & Lodging	3,541	8,604	86,242	77,638
Conference - Registration Fees	16,735	26,253	89,485	63,232
Local Meeting Expenses	2,995	10,050	115,900	105,850
Lodging	1,276	5,535	84,876	79,341
Per Diem	3,238	8,506	42,488	33,982
	27,785	58,948	458,991	400,043
Capital Improvements				
Capital Outlay (Equipment Purchases)	1,146	1,146	120,000	118,854
TOTAL OPERATING EXPENSES	1,689,334	5,341,273	20,794,362	15,453,089

NOTES - OPERATING & ADMINISTRATIVE BUDGET UPDATE:

The administrative expenses are within the maximum authorized under the Board policy.

* The FY 2015-16 Operating Budget was approved by the Board of Commissioners on June 11, 2015.

**Los Angeles County Children and Families First -
Proposition 10 Commission
Statement of Net Assets
October 31, 2015, Unaudited**

Assets

Current Assets:

Cash	\$	3,248,446
Cash- Morlin Mgmt Corp		26,950
Investment:		
Operating and Allocated funds		484,675,834
Operating Fund - SRI		-
Advance - LA Care Health Plan		8,930,459
Advance - LAUP		40,239,787
Advance - UCLA Dental Home Project		4,093,401
Interest Receivable		-
Other Receivables		6,236,998
Total Current Assets	\$	547,451,876

Fixed Assets:

Land	\$	2,039,000
Building & Improvements		12,076,512
Furniture & Fixtures		627,671
Computer, Software & Accessories		1,755,170
Office Equipment		331,033
Accumulated Depreciation		(4,944,345)
Total Fixed Assets	\$	11,885,041

Total Assets **\$ 559,336,917**

Liabilities and Net Assets

Current liabilities:

Other Liabilities	\$	201,150 (1)
Total Current Liabilities	\$	201,150

Net Assets:

Investment in capital assets	\$	11,885,041
Restricted		547,250,726
Total Net Assets	\$	559,135,767

Total Liabilities and Net Assets **\$ 559,336,917**

NOTES:

(1) Other Liabilities include accounts payable, security deposit from La Petite Academy and other related liabilities.

First 5 LA

Long Term Financial Projection

FY 2016 – 2020

I. Introduction: Purpose of the Long Term Financial Projection

This updated FY 2016-2020 Long Term Financial Projection (LTFP) is intended to support the financial stewardship role of the Los Angeles County Children and Families First Proposition 10 Commission (“Commission”) by providing a framework that shows the long-term implications of fiscal actions. It includes a multi-year outlook of anticipated expenditures of allocated funds, as well as annual operating and program demands against forecasted revenue.

The LTFP is presented to the Commission in advance of the annual budget process in order to provide context in which funding decisions will be made. The period covered by this update is the 2015-2020 Strategic Plan timeframe, or July 1, 2015 through June 30, 2020.

Specifically, the updated LTFP utilizes the following overarching approach:

- Uses the July 1, 2015 audited fund balance as a starting point;
- Includes updated revenue forecasts based on the most current available data;
- Includes spending estimates for the core activities highlighted in the 2015-2020 Strategic Plan, as well as other activities that are in support of the Strategic Plan work;
- Projects expenditures for all initiatives approved by the Commission, including those that have received a multi-year allocation and legacy investments that have received a multi-year award; and
- Forecasts ending fund balance for each fiscal year through June 30, 2020.

It is important to note that the LTFP does not formally obligate or commit any funds and is not a spending plan—funds must be committed as part of the annual budget or through a Resolution that specifically allocates funds for an initiative or program in a manner consistent with the Governance Guidelines.

In sum, the LTFP serves as:

- A framework and context for considering specific budget and/or funding requests by providing a multi-year forecast of the revenue, program and operating expenses, and fund balance.
- An annually updated planning tool that informs the Commission of potential alternatives and highlights important long-term strategic financial decisions.
- A catalyst for Commission action. The multi-year perspective should inform the Commission of upcoming decisions and help to set the timing for future actions.

II. Methodology/Approach

This LTFP represents a collaborative effort between Finance and Program staff throughout the organization. Staff used the FY 2015-16 Budget as a baseline to forecast programmatic expenditures through FY 2019-20.

The LTFP was developed using the following approach and methods:

- The baseline year is the approved FY 2015-16 Budget. At the time the LTFP was developed, only first quarter expenditure data were available, so actual expenditures for FY 2014-15 were not used to test reliability of budget forecasts. This may overstate actual expenses for the current fiscal year.

- As part of the action taken to approve the FY 2015-16 Budget in June 2015, the Commission reauthorized multi-year commitments and allocations. This schedule, known as the GASB 54 schedule, was approved by formal Resolution and designates funds for those specific purposes as directed by the Commission. Final year-end balances for these commitments are available in the Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2015.
- The LTFP includes forecasts for program and operating expenses as follows:
 - Initiative Allocations – As indicated above, the Commission has approved multi-year allocations for specific initiatives. Staff conducted analyses to forecast spending over the approved funding term for each initiative.
 - Annual Program Demands – Other initiatives have not received a multi-year allocation, but were identified as priority strategies, activities or approaches in the 2015-2020 Strategic Plan. Funding for both legacy investments with multi-year awards and 2015-2020 Strategic Plan activities is a demand against annual revenue and uncommitted fund balance.
 - Operating Expenses – Projections include cost estimates for operating the Commission and associated staffing. Because the organization is currently undergoing a transition to an operating structure that best supports the work of the Commission moving forward, staff anticipates that changes will occur to the resource requirements projected for operating purposes. Analysis is underway and will continue during the organizational transformation process to more reliably project how changes in the organization's operating approach might affect costs. The administrative portion of the Operating Budget is assumed to be within the 5% limit of overall spending as currently defined by Commission policy.

III. Assumptions

Compared with the long-term projections prepared and approved during the last fiscal year, this updated LTFP incorporates three primary changes to the overall assumptions, each of which is discussed in more detail in the sections below:

1. While the source of the projected Proposition 10 Tobacco Tax revenue remains the same, the updated data suggests a much faster rate of decline than previously projected, from an average decline of 2.6% per year to an updated rate of decline of approximately 4.4% each fiscal year.
2. Although overall 2015-2020 Strategic Plan resource estimates remained relatively constant over Plan's duration, updated information on implementation status shifted more costs to the latter years of the Plan, resulting in a revised spending trajectory for these activities.
3. Additional resources are included through FY 2019-2020 for activities that do not have committed multi-year allocations—such as policy and advocacy activities—but for which resources will be needed to support anticipated activities that align to the goals and approaches established in the 2015-2020 Strategic Plan but go beyond the initial Plan resource estimates.

A. Beginning Fund Balance

The FY 2015-16 beginning fund balance utilized in the LTFP reflects the ending fund balance per the CAFR for the fiscal year ending June 30, 2015. Beginning fund balance in future years is calculated based on projected revenue and expenditures for the year prior.

B. Revenue

The Commission is funded through the Proposition 10 Tobacco Tax, 80% of which is distributed to the County Commissions based on their proportion of statewide births. Los Angeles County receives the greatest share, representing approximately 26% of the total County allocations. Tobacco tax revenue, projected to be roughly \$80.9 million in FY 2015-16, is anticipated to continue declining in future years based on the most recent estimate from the State Department of Finance (DOF), which forecasts an average annual decline of approximately 4.4% in tobacco tax revenue. Because previous DOF projections estimated an average decline in tobacco tax of approximately 2.6% each year, these updated projections obtained in June 2015 reflect a significant shift in the amount of incoming resources expected for the Commission, which has a notable impact on the fiscal picture provided by the current LTFP. Staff will continue to monitor actual revenue relative to the projections in order to analyze the impact these declining resources may have on the organization's fiscal position.

Interest earnings are projected based off the average rate of return on anticipated cash balances for FY 2014-15, with assumptions made for improving market conditions across the years reflected in the LTFP. Interest earnings for FY 2015-16 are projected at approximately \$3.5 million. Lease revenue of approximately \$154,000 is also expected for FY 2015-16 based on the negotiated lease agreement for the preschool occupying space on the first floor of the Commission building. Based on the terms of the agreement, lease revenue is assumed to increase by a maximum of 2% per year across the timeframe covered by the LTFP.

C. Program Expenditure Assumptions – 2015-2020 Strategic Plan Activities

As part of the strategic planning process, staff developed resource estimates for the 2015-2020 Strategic Plan strategies that ranged from low to high estimates depending on the role that the Commission decided to take in the implementation of these strategies. Consistent with the approved 2015-2020 Strategic Plan, the high resource estimates were included in the LTFP based on the assumption that the Commission will take a leadership role in robustly implementing the Plan's strategies to achieve the greatest impact. Although continued refinement of these resource estimates will occur as implementation of the Plan's strategies and activities continues, there was not enough information at this stage to support significant changes to the initial estimates. As implementation continues and further information becomes available, refined estimates will be incorporated into future updates of the LTFP.

While the status of implementation did not yield enough information to support changes to the resource estimates overall, there was sufficient information to support revisions to the expected trajectory of spending for the priority outcome areas. Although the base resource estimates for the 2015-2020 Strategic Plan activities remain stable across the course of the Plan, this updated information resulted in a shift in estimated spending to the later years of the Plan, showing more spending in FY 2018-19 and FY 2019-20 than previously projected. For example, previous projections anticipated that spending in the Early Care & Education Systems (ECE) outcome area would be the highest in FY 2016-17 and FY 2017-18 with a ramp down in spending by FY 2019-20, while current projections shifted the majority of spending in this area to FY 2018-19 and FY 2019-20.

D. Program Expenditure Assumptions – Legacy Investments

The expenditure projections contained in the LTFP were developed based on the following overarching assumptions:

- Fidelity to existing Commission-approved allocations and other funding decisions made by the Commission.

- Consistent with the Governance Guidelines, all initiatives and programs are assumed to end according to the Board-directed timeframe. For example, expenditure projections only include funding for the Children’s Dental Care initiative through June 2018, when the five-year initiative is scheduled to end.
- Ongoing funding for Legacy Investments that do not have an approved multi-year allocation is assumed to adhere to one of the following approaches:
 1. Funding is assumed for those legacy projects for which an amount was awarded to grantees or contractors via a multi-year award letter or strategic partnership agreement; and
 2. All other funding is assumed to be in support of activities that align to and support the strategies and approaches detailed in the 2015-2020 Strategic Plan. Funds for these types of activities were not included in the LTFP prepared and approved in the prior fiscal year.

E. Program Expenditure Assumptions – Cross-Cutting and Support Investments

Funding is assumed for a number of cross-cutting or “support” investments—such as Communications & Marketing, Policy Agenda/Advocacy, and Research & Evaluation—that do not have committed multi-year allocations and may support both legacy work and the new work of the organization. While these investments represent key approaches for the Commission to advance the priority outcome areas established in the 2015-2020 Strategic Plan, they also reflect the Commission’s commitment to continuously learn and improve upon the efforts that the organization participates in and supports. Consistent with past Commission practice, the LTFP assumes that 5% of estimated programmatic spending will be spent on research and evaluation activities, while projections for communications/marketing and policy activities are projected based on either existing approved funding levels or specific activities planned for future fiscal years.

F. Operating Expenditure Assumptions

The approved FY 2015-16 Operating Budget of \$20.8 million included assumptions related to staffing, salary and benefit costs, and other operating costs. The LTFP methodology assumes that total operating costs will decrease at the average rate that Proposition 10 tobacco tax revenues decreased annually over the previous five fiscal years. Staff recognizes that operating requirements will change, as the Commission transitions fully to the 2015-2020 Strategic Plan activities and shifts to a revised operating structure that best supports the work of the Commission moving forward. Analysis is underway and will continue during the organizational transformation process to more reliably project how changes in the organization’s operating approach might affect costs.

The LTFP does assume compliance with the Commission’s annual administrative limit of 5% of proposed spending. The annual administrative expense will be adjusted as necessary to stay within this limit. Per adopted policy, administrative expenses are assumed to include all costs incurred in support of the general management and administration of the Commission for a common or joint purpose that benefits more than one cost objective (other than evaluation activities), and/or those costs not readily assignable to a specifically benefited cost objective.

IV. Analysis: The Multi-year Outlook

Over the long-term, the LTFP continues to show a picture of declining resources, including both incoming revenue and existing fund balance. As previous projections have demonstrated, this is primarily driven by the fact that spending continues to outpace revenue, requiring the Commission to depend on existing fund balance to cover the difference.

The Commission's primary source of revenue, Proposition 10 tobacco tax revenue, has been steadily decreasing since FY 2004-05, and is projected to decline an additional 24% by FY 2019-20, from the \$89.5 million received in FY 2014-15 to an estimated \$67.6 million for FY 2019-20. At the same time, expenditures have been steadily increasing, exceeding incoming revenue for the first time in FY 2008-09. In FY 2014-15, annual expenditures of \$200.0 million were more than double the Proposition 10 tax revenue for that year.

In FY 2015-16, spending is estimated to grow to more than \$210.4 million, or 160% above the estimated incoming tobacco tax revenue, an excess level of spending that results in a commensurate decline in fund balance. This variance between projected revenue and expenditures results in a dramatic 86% decrease in fund balance from the July 1, 2015 beginning fund balance of \$536.6 million (of which approximately \$325.7 million is committed to Commission-approved multi-year allocations and advances to contractors for initiatives with planned spending beyond that date) to \$74.4 million by June 30, 2020. Of this \$74.4 million, amounts would need to be set aside for subsequent fiscal year operating costs and the fund balance reserve, which is currently calculated as 25% of the projected annual fiscal year budget per Board-approved policy.

Even as the Commission transitions to a Strategic Plan that places a greater emphasis on policy and systems change, it is important to note that more than two thirds of incoming Proposition 10 tobacco tax revenue is projected to be spent through FY 2019-20 on the Commission's direct service investment in home visitation through the Welcome Baby, Select Home Visitation and Universal Assessment of Newborns programs. Specifically, the LTFP projects that over the course of the next five years, these programs combined are forecasted to range from a high of 90% to a low of 43% of incoming tobacco tax revenue on an annual basis.

Thus, the LTFP continues to demonstrate that the Commission cannot maintain the current rate of spending in the long run, and that the organization must take steps to transition to a more sustainable spending approach. Although the LTFP shows that resources are adequate in the short-term to cover existing obligations and projected spending, these declining resources must be considered carefully in the long-term.

With the approval of the 2015-2020 Strategic Plan in November 2014, the Commission established its commitment to dedicating available resources to advance the outcomes outlined in the Plan. The LTFP indicates that existing and estimated future resources are sufficient to provide a transition period during the 2015-2020 Strategic Plan timeframe for the Commission to gradually move toward a "live within our means" budgeting approach that places more reliance on incoming resources rather than fund balance to cover annual spending.

V. Summary

The LTFP provides a framework for immediate strategic decisions that determine the future direction of the Commission. The LTFP shows that there is sufficient fund balance in the short-term to support a transition to a more sustainable spending portfolio—one that places less reliance on existing fund balance and begins the process of aligning annual spending with annual revenue—over the course of the 2015-2020 Strategic Plan.

By balancing future investments with declining resources, the Commission has an opportunity to bring sharper focus to the directed areas of investment by aligning them in a manner that ensures sustainability. Coupled with the approved Governance Guidelines, this fiscal outlook should help to inform and provide parameters for any Commission decisions with a fiscal impact, ensuring that both existing and new funding commitments are sustainable and aligned with the 2015-2020 Strategic Plan.

First 5 LA
Long Term Financial Projection - Multi-Year Forecast Detail

Beginning Fund Balance as of July 1		\$ 536,628,004	\$ 410,774,124	\$ 314,164,886	\$ 219,774,684	\$ 127,055,092	A	
Projected Revenue (by Fiscal Year)		FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20		
Proposition 10 Tax Allocations ¹		\$ 80,883,996	\$ 77,358,240	\$ 73,974,768	\$ 70,727,987	\$ 67,615,956		
Other Revenue ²		154,253	157,338	160,485	163,695	166,968		
Interest Earnings ³		3,539,485	2,888,203	2,259,640	1,553,742	952,483		
Total Projected Revenue		\$ 84,577,734	\$ 80,403,781	\$ 76,394,893	\$ 72,445,424	\$ 68,735,407	B	
Annual Program Demands	Commitment (June 30, 2015)⁴	Estimated Program Demands (by Fiscal Year)						
		FY 2015-16⁵	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20		
2015-2020 STRATEGIC PLAN: FOCUSING FOR THE FUTURE (By Outcome Area)								
Families - Welcome Baby/Home Visitation/Universal Assessment ⁶	\$ 46,041,038	\$ 46,024,000	\$ 61,389,819	\$ 66,447,155	\$ 48,766,779	\$ 28,749,378		
Communities - Best Start Communities/New Activities ⁷	-	18,122,750	25,656,109	25,343,144	22,875,349	17,406,388		
Early Care & Education Systems ⁸	-	370,000	17,304,400	19,750,000	42,250,000	33,000,000		
Health-Related Systems	-	546,250	6,887,141	8,823,462	9,053,712	7,566,989		
Other/Cross-Cutting Activities	-	490,000	-	-	-	-		
TOTAL 2015-2020 STRATEGIC PLAN (By Outcome Area)	\$ 46,041,038	\$ 65,553,000	\$ 111,237,469	\$ 120,363,761	\$ 122,945,840	\$ 86,722,755	C	
LEGACY INVESTMENTS								
At-Risk Fathers Investment	\$ 598,500	\$ 550,000	\$ 48,500	\$ -	\$ -	\$ -		
Baby Friendly Hospitals ⁹	24,688,576	1,245,000	904,933	195,972	150,000	-		
Black Infant Health	7,078,043	1,455,000	2,205,000	1,705,000	1,705,000	-		
Children's Dental Care	28,400,965	10,656,000	7,702,629	5,920,739	-	-		
Children's Vision Care	2,915,722	1,341,000	1,196,182	378,540	-	-		
Data Partnership with Funders	3,242,605	900,000	900,000	800,000	500,000	-		
Early Identification and Intervention of Autism	1,529,514	818,000	711,514	-	-	-		
ECE Environmental Scan	-	80,000	-	-	-	-		
ECE Workforce Consortium ¹⁰	14,939,046	12,798,000	-	-	-	-		
Healthy Food Access	3,365,802	2,064,000	608,101	608,101	85,600	-		
Healthy Kids ¹¹	2,101,989	2,101,989	-	-	-	-		
Healthy Kids - Advance to LA Care ¹²	8,930,459	500,000	250,000	-	-	-		
Information Resource & Referral ¹³	-	1,360,000	-	-	-	-		
Little by Little/One Step Ahead	24,592,135	3,515,000	3,180,000	3,243,000	3,310,000	750,000		
Los Angeles Universal Preschool (LAUP) ¹⁴	87,254,115	37,254,115	-	-	-	-		
Oral Health & Nutrition - Dental Home - Advance to UCLA	4,267,841	3,904,000	-	-	-	-		
Parent-Child Interaction Therapy	14,375,845	6,104,000	3,483,074	-	-	-		
Peer Support Groups for Parents	1,311,148	1,311,148	-	-	-	-		
Policy Advocacy Fund ¹⁵	-	2,194,000	1,453,000	335,000	-	-		
Reducing Childhood Obesity	20,240,665	15,462,000	4,778,665	-	-	-		
Research & Evaluation - Early Learning (LAUP)	2,792,529	109,000	-	-	-	-		
Resource Mobilization - ECE ¹⁶	-	1,225,000	375,000	225,000	225,000	225,000		
Resource Mobilization - Funder Partnerships ¹⁶	-	60,000	60,000	60,000	60,000	60,000		
Resource Mobilization - Health ¹⁵	-	1,540,000	160,000	-	-	-		
Resource Mobilization - Organizational Capacity Building ¹⁶	-	550,000	550,000	550,000	550,000	550,000		
Tot Parks and Trails	831,010	660,000	-	-	-	-		
Workforce Development ¹⁵	-	2,522,000	527,732	527,732	-	-		
TOTAL LEGACY INVESTMENTS	\$ 253,456,509	\$ 109,757,252	\$ 28,566,598	\$ 14,021,352	\$ 6,585,600	\$ 1,585,000	D	
CROSS-CUTTING AND SUPPORT INVESTMENTS¹⁷								
Communications & Marketing	\$ -	\$ 4,672,000	\$ 4,672,000	\$ 4,672,000	\$ 4,672,000	\$ 4,672,000		
Communications - Conference Funding	-	200,000	200,000	200,000	200,000	200,000		
Policy Agenda/Advocacy ¹⁸	-	2,797,000	4,862,000	4,862,000	4,862,000	4,862,000		
Research & Evaluation ¹⁹	-	6,658,000	7,233,303	6,962,356	6,719,672	4,658,488		
TOTAL CROSS-CUTTING AND SUPPORT INVESTMENTS	\$ -	\$ 14,327,000	\$ 16,967,303	\$ 16,696,356	\$ 16,453,672	\$ 14,392,488	E	
TOTAL ESTIMATED PROGRAM DEMANDS		\$ 189,637,252	\$ 156,771,370	\$ 151,081,469	\$ 145,985,112	\$ 102,700,243	F=C+D+E	
Estimated Operating Expenditures ²⁰		\$ 20,794,362	\$ 20,241,649	\$ 19,703,626	\$ 19,179,904	\$ 18,670,103	G	
TOTAL ESTIMATED SPENDING		\$ 210,431,614	\$ 177,013,019	\$ 170,785,095	\$ 165,165,016	\$ 121,370,346	H=F+G	
TOTAL ESTIMATED SPENDING IN EXCESS OF REVENUES		\$ 125,853,880	\$ 96,609,238	\$ 94,390,202	\$ 92,719,592	\$ 52,634,939	I=H-B	
PROJECTED ENDING FUND BALANCE		\$ 410,774,124	\$ 314,164,886	\$ 219,774,684	\$ 127,055,092	\$ 74,420,153	J=A-I	
Total Estimated Commitments Remaining (as of June 30)	\$ 286,299,247	\$ 179,169,995	\$ 130,245,344	\$ 93,726,607	\$ 67,489,870	\$ 58,876,738		
Total Estimated Advances Remaining (as of June 30)	\$ 13,198,300	\$ 8,794,300	\$ 8,544,300	\$ 8,544,300	\$ 8,544,300	\$ 8,544,300		
		FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20		
Fund Balance Reserve²¹		\$ 57,429,091	\$ 44,253,255	\$ 42,696,274	\$ 41,291,254	\$ 30,342,587	K=H*25%	

Footnotes to the Long Term Financial Projection – Multi-Year Forecast Detail:

1. Proposition 10 tax revenue projections were updated based on the most recent forecast provided by the California Department of Finance (DOF): "First 5 California County Tax Revenue Projections for FY 2014-15 through 2018-19" (Updated 6/2/15 Utilizing DOF May Revise 2015 Tobacco Tax Projections and DOF Birth Projections for California State and Counties 1970-2023). Because DOF projections decreased on average 4.4% each year between FY 2014-15 and FY 2018-19, a 4.4% decrease was projected for FY 2019-20.
2. Other Revenue includes lease revenue based on the negotiated lease agreement for the preschool occupying space on the first floor of the Commission building. Based on the terms of the agreement, lease revenue is assumed to increase by a maximum of 2% per year across the timeframe covered by the LTFFP.
3. Estimated interest rates were based off of the average rate for FY 2014-15 of 0.72%. Due to improving market conditions, an estimated rate of 0.75% was utilized for FY 2015-16 to project interest earnings on available cash balances, with the rate increasing by 0.05% each year to a maximum of 0.95% for FY 2019-20.
4. Allocation and advance balances were updated based on the Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2015. Any exceptions are specifically noted below. Allocation balances totaling \$32,516 for two legacy investments that ended by FY 2014-15 (ECE Career Development Policy Project and Substance Abuse Treatment Services) were removed from this analysis, as no additional spending is anticipated. The Commission may consider returning these funds to the General Fund.
5. FY 2015-16 expenditure projections are based on the FY 2015-16 Budget approved June 11, 2015, except where updated information was available to adequately support a change. Any changes will be incorporated formally during the mid-year adjustment to the FY 2015-16 Budget presented to the Board for approval in the spring of 2016.
6. The Families outcome area reflects costs for the Welcome Baby, Select Home Visitation, and Universal Assessment of Newborns programs. Although the Universal Assessment of Newborns was initially approved as a 5-year initiative with a discrete multi-year allocation, costs are reflected through FY 2019-20 because of the Board's enduring commitment to the Commission's investment in Welcome Baby. Universal Assessment of Newborns is fundamentally linked to the Welcome Baby program, with both programs currently funded through single contracts with provider hospitals. This outcome area also reflects resource estimates for new work, including program implementation and research to build the evidence base of Abriendo Puertas and Project Dulce, as well as the integration of the family protective factors in county- and community-based agency programs.
7. The Communities outcome area reflects ongoing costs for the capacity building work taking place in the 14 Best Start Communities, as well as resource estimates to support activities related to information resource & referral and improved places and spaces as established in the 2015-2020 Strategic Plan.
8. The resource estimates included for the Early Care & Education Systems outcome area differ from the initial estimates provided in the 2015-2020 Strategic Plan as follows: a) \$12 million in policy-related activities for FY 2016-17 through FY 2019-20 was removed and included in the Policy Agenda/Advocacy investment line (refer also to footnote 18); and b) \$50 million for FY

2016-17 through FY 2019-20 was included that represents the spending down of the remaining balance allocated to Los Angeles Universal Preschool (refer also to footnote 14).

9. The Baby Friendly Hospitals initiative draws down from an allocation previously referred to as "Best Start LA". All other programs funded through this allocation have ended. Costs for Baby Friendly Hospitals beyond FY 2015-16 represent the completion of existing obligations to current grantees and contractors.
10. The ECE Workforce Consortium initiative is going through the expiring initiatives assessment process during FY 2015-16. Initial results of the assessment were presented at the November 19, 2015 Special Meeting of the Board of Commissioners. In January 2016, staff will seek approval to use the ECE Workforce Consortium's remaining allocation balance to support strategic plan alignments to new ECE quality improvement investments.
11. Through the expiring initiatives assessment process in FY 2014-15, approval was granted to continue the relationship with the Department of Public Health (DPH) through December 2015 to allow the spend down of the remaining allocation balance in the Healthy Kids allocation. The allocation balance remaining as of June 30, 2015 noted in the CAFR was adjusted to reflect subsequent information received regarding actual spending for FY 2014-15.
12. Through the expiring initiatives assessment process in FY 2014-15, approval was granted to continue the relationship with LA Care, which has a significant balance remaining of the approximately \$12.9 million that was initially advanced in FY 2012-13. While this contract was approved at a level of \$250,000 through December 2015, subsequent action was taken by the Board to augment and extend the contract through September 2016.
13. Information Resource & Referral costs represent only the approved extension of the existing relationship with the Information and Referral Federation of Los Angeles County, Inc. ("211 LA County") through June 30, 2016. Costs for information resource and referral activities beyond FY 2015-16 are incorporated into the resource estimates for the 2015-2020 Strategic Plan outcome areas.
14. The Los Angeles Universal Preschool (LAUP) allocation balance was adjusted upward as part of the GASB 54 reaffirmation of existing allocation balances (approved via Resolution on June 11, 2015) to account for pass-through expenditures based on a comprehensive analysis conducted during FY 2014-15. Estimated expenditures for FY 2015-16 were adjusted downward from the approved fiscal year budget based on more recent projections from LAUP that project an allocation balance remaining of approximately \$50 million as of June 30, 2016. The spend down of this remaining balance is included in the estimates noted for the ECE outcome area (refer also to footnote 8).
15. Costs beyond FY 2015-16 relate to projects for which no approved multi-year allocation exists, but for which amounts were awarded to current grantees/contractors beyond June 30, 2016. This represents the completion of existing obligations and does not reflect costs related to 2015-2020 Strategic Plan activities.
16. Costs beyond FY 2015-16 relate to projects for which no approved multi-year allocation exists, but that represent anticipated costs of activities that align to and support the goals and strategies of the 2015-2020 Strategic Plan.

17. Funding is assumed for a number of cross-cutting or “support” investments that do not have committed multi-year allocations. Note that these costs may support both legacy work and the 2015-2020 Strategic Plan activities. Although multi-year funding commitments have not been explicitly made by the Commission, estimated costs were included because these investments represent key approaches for the Commission to advance the priority outcome areas established in the Strategic Plan. In addition, these resources also reflect the Commission’s commitment to continuously learn and improve upon the efforts that the organization participates in and supports.
18. Projections for Policy Agenda/Advocacy include \$3 million of ECE-related costs per year for FY 2016-17 through FY 2019-20, for a total of \$12 million across the duration of the Strategic Plan.
19. Research & Evaluation (R&E) projections for FY 2016-17 through FY 2019-20 are calculated as 5% of the total projected program spending for each year, less amounts for costs related to Communications & Marketing.
20. The methodology for operating costs assumes that costs decline based on the average decline in actual Proposition 10 tobacco tax revenue received over the last five fiscal years, or 2.66%. Operating requirements will change as the Commission implements the 2015-2020 Strategic Plan, and analysis will continue to more reliably project how changes in the organization’s operating approach might affect costs.
21. The fund balance reserve is calculated as 25% of estimated spending for the fiscal year, consistent with Board-approved policy.

Long Term Financial Projection

FY 2016-2020

Budget & Finance Committee

December 10, 2015



Agenda

- Overview and Purpose
- Assumptions
- Highlights
- Summary

LTFP: Overview

- Goal of the LTFP: To aid in the Commission's financial stewardship role by providing a framework that shows the long-term implications of funding decisions.
- LTFP is a multi-year forecast—not a spending plan—that includes: revenue, fund balance, program commitments and expenditure projections, and operating expenses.
- Forecast period of FY 2016 – 2020, the timeframe covered by the 2015-2020 Strategic Plan.

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Assumptions

- Projections assume fidelity to allocations and other funding decisions made by the Commission.
 - All programs will be implemented according to the planned schedule and are assumed to end consistent with the Board-approved Governance Guidelines.
 - Any unspent funding from multi-year allocations will remain committed, pending Board action.
- The Commission takes a leadership role in implementing the strategies outlined in the 2015-2020 Strategic Plan.
- Operating expenses decline based on the average decline in Proposition 10 tax revenue over the past 5 years; assume compliance with the Commission's annual administrative limit.

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Highlights: Revenue & Expenditures

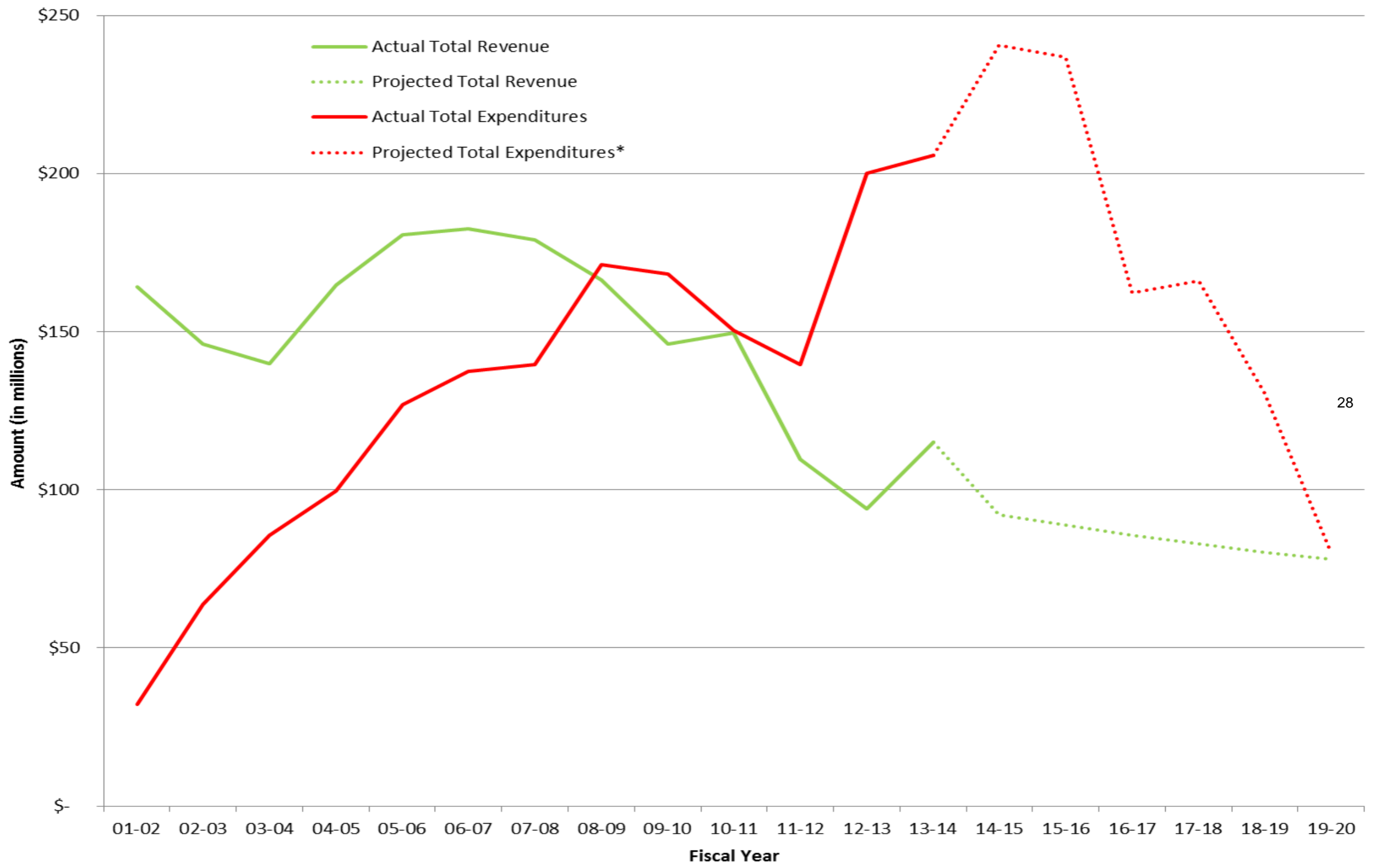
Revenue: Proposition 10 tax revenue is projected to decline by 24% by FY 2019-20, from \$89.5 million (FY 2014-15) to \$67.6 million (FY 2019-20).

Expenditures:

- Annual spending began to exceed revenue in FY 2008-09.
- In FY 2014-15, expenditures of \$200.0 million were more than double the tobacco tax revenue of \$89.5 million.
- In FY 2015-16, spending is estimated to grow to \$210.4 million and remain above \$120 million through FY 2019-20, further reducing fund balance.
- Over the course of the 5 years covered by the LTFP, more than two-thirds of incoming tobacco tax revenue is projected to be spent on the Commission's direct service investments in home visiting.

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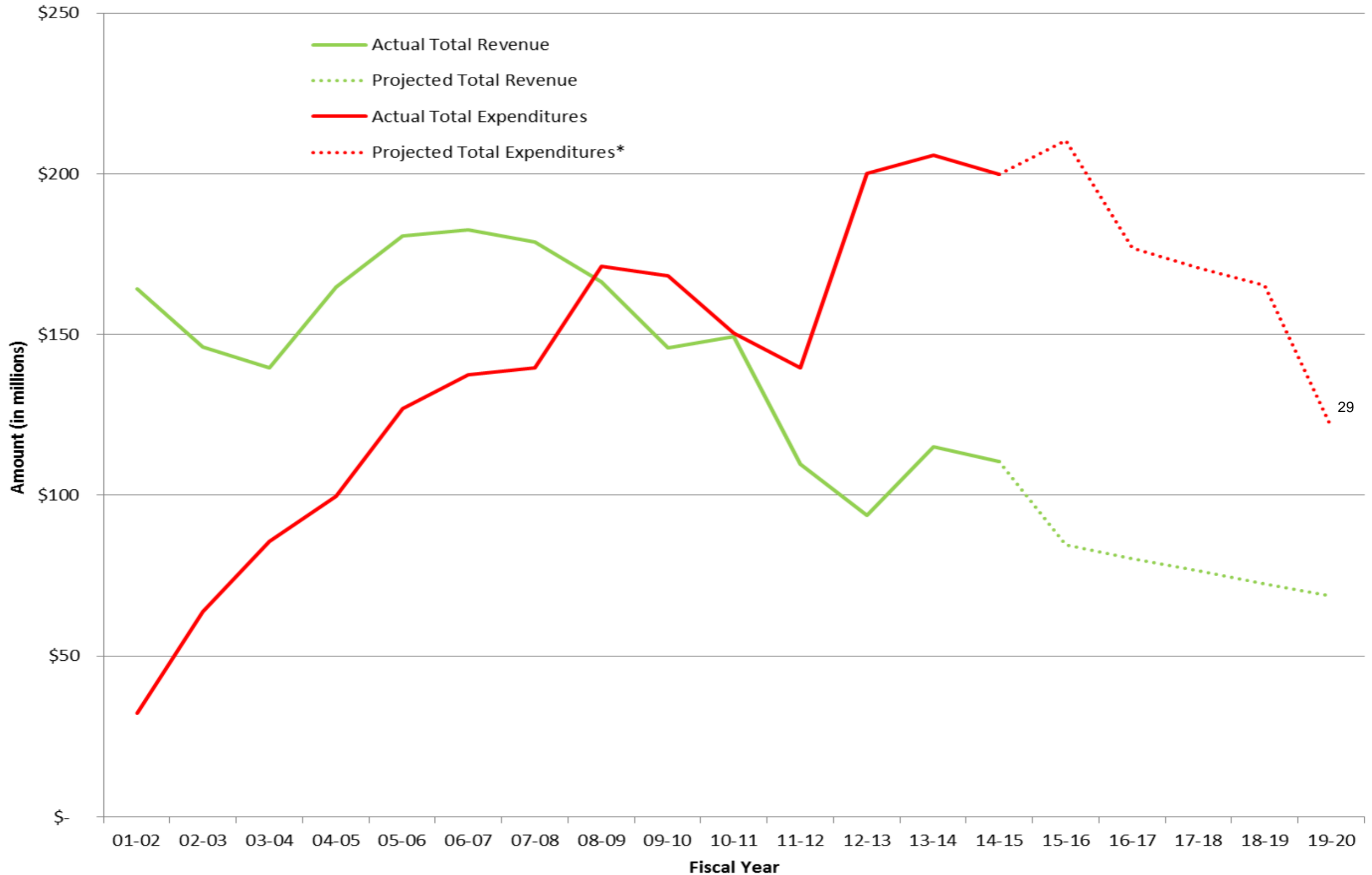
Revenue & Expenditure Projections (Jan. 2015)



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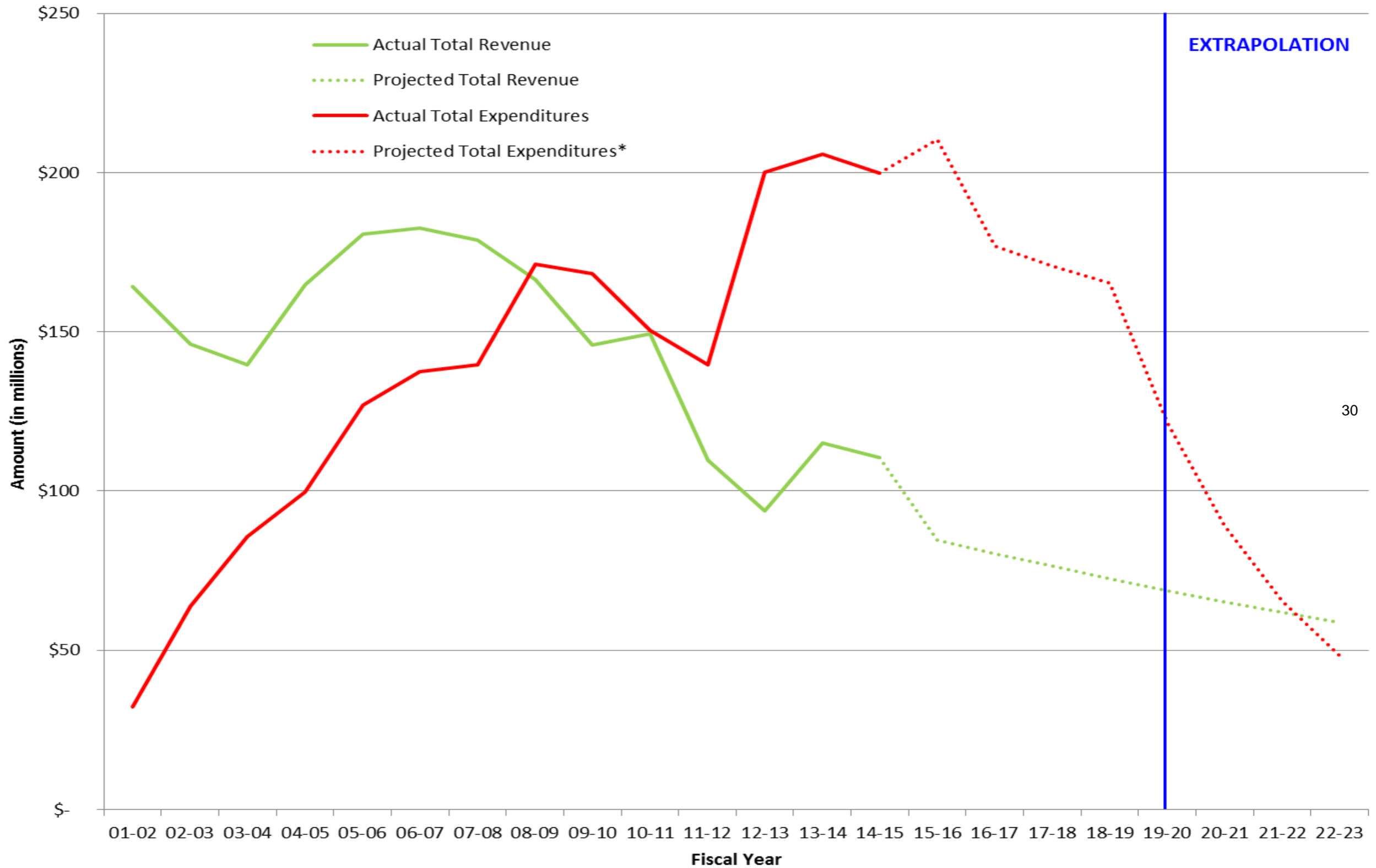
* Expenditure projections assume that the Commission does not spend the reserve each year.

Revenue & Expenditure Projections (Current)



* Expenditure projections assume that the Commission does not spend the reserve each year.

Revenue & Expenditure Projections (Extrapolated)



* Expenditure projections assume that the Commission does not spend the reserve each year.

Fund Balance Categories

Nonspendable: Funds that have been advanced to a contractor or grantee for services to be provided in the future and are considered to be an asset of the Commission.

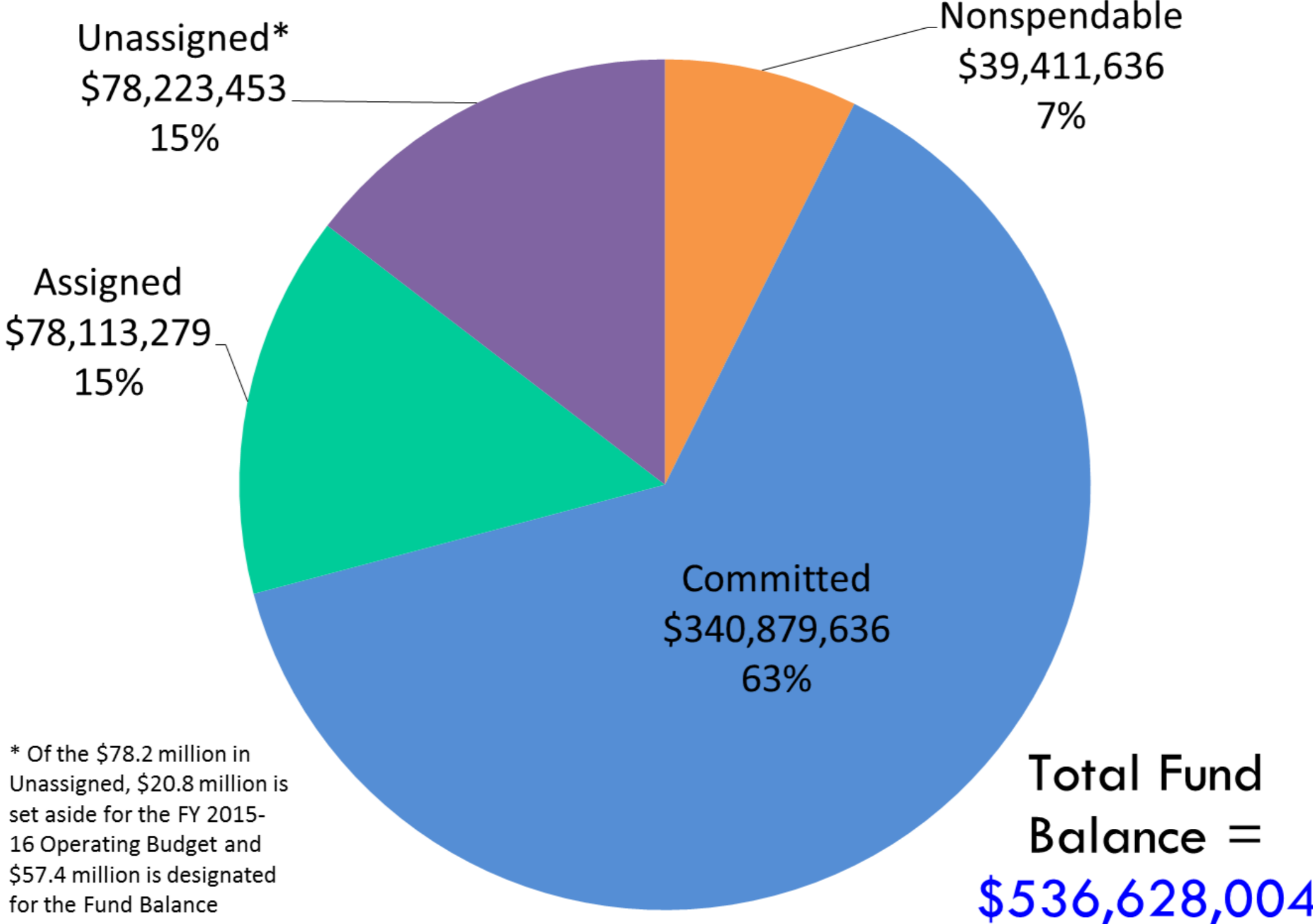
Committed: Funds allocated for a specified purpose and directed by the Commission via Resolution. The Commission must adopt another Resolution to reappropriate these funds for other purposes.

Assigned: Funds are reserved for Commission use consistent with the 2015-2020 Strategic Plan.

Unassigned: Funds designated for the Operating Budget and Reserve.

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Fund Balance as of June 30, 2015



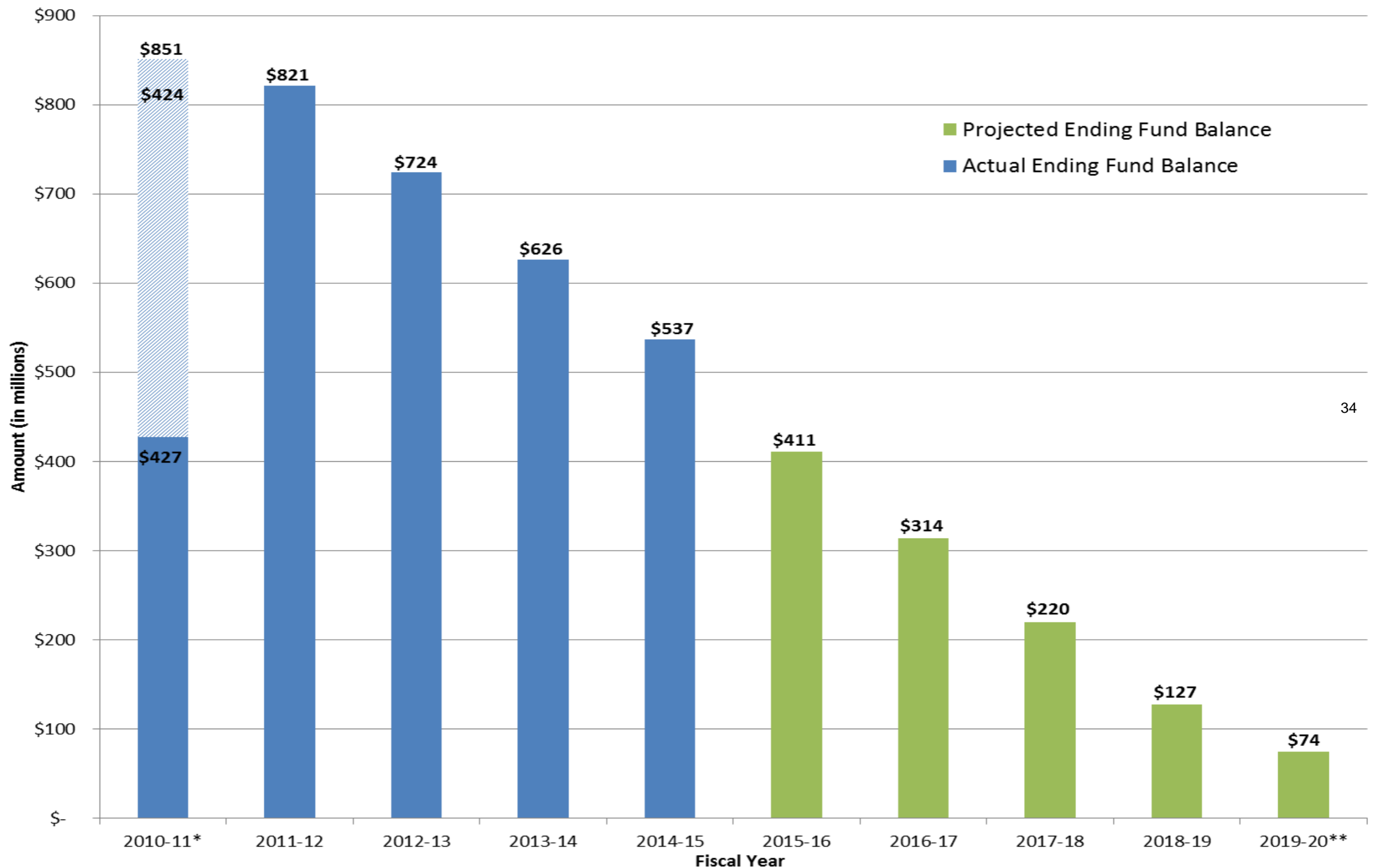
* Of the \$78.2 million in Unassigned, \$20.8 million is set aside for the FY 2015-16 Operating Budget and \$57.4 million is designated for the Fund Balance Reserve.

Highlights: Fund Balance

- July 2015 beginning fund balance was \$536.6 million, of which \$340.9 million, or 63%, was committed to approved multi-year allocations and FY 2015-16 appropriations.
- Total fund balance is projected to decrease by 86% by the end of the 2015-2020 Strategic Plan, from \$536.6 million in July 2015 to \$74.4 million by June 2020.
- The \$74.4 million would need to account for FY 2020-21 operating costs, the fund balance reserve, and unspent multi-year committed allocations.

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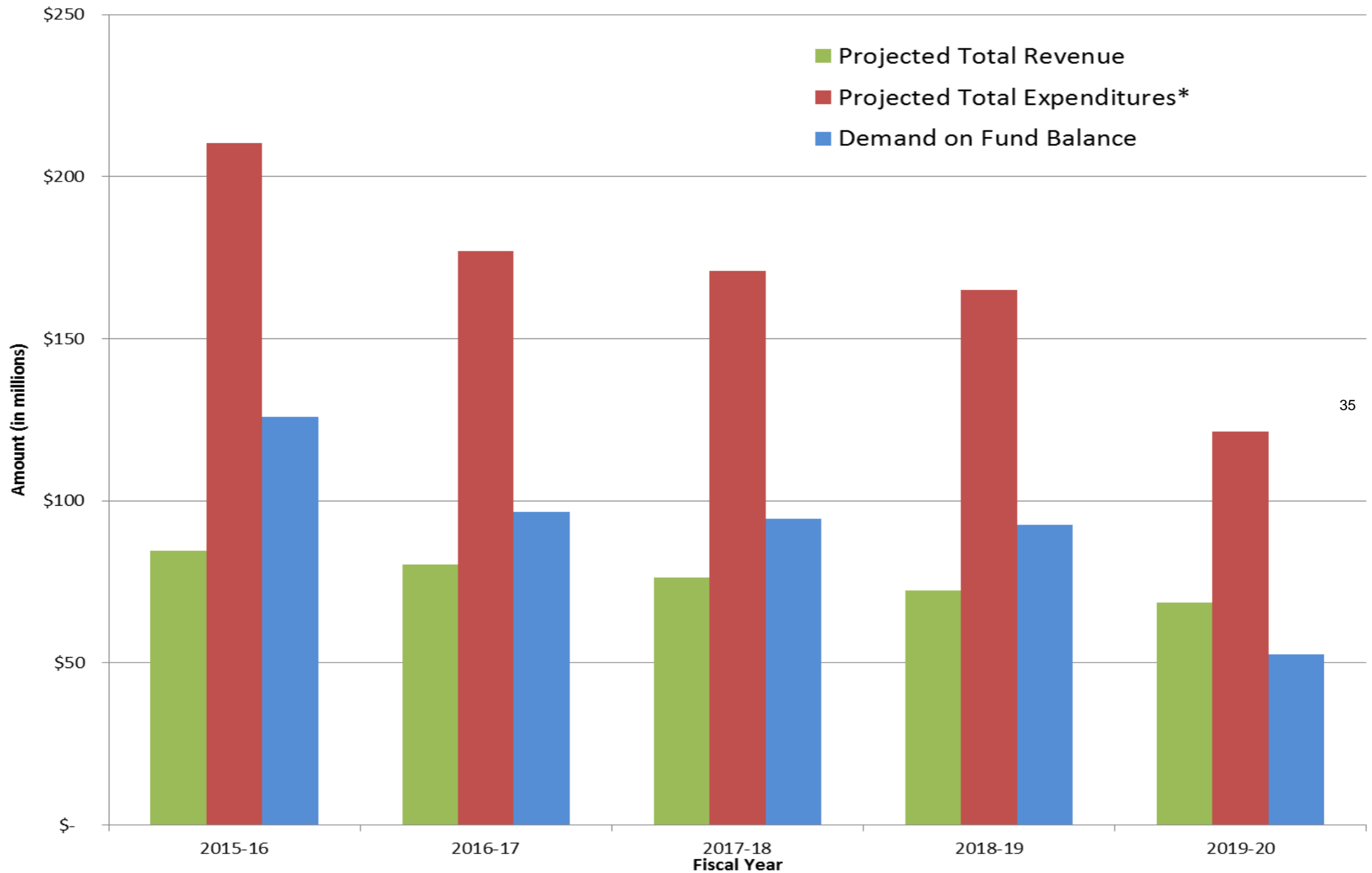
Fund Balance: Future Outlook



* The FY 2010-11 fund balance was lower due to an AB 99 liability of \$424.39 million, which was returned to net assets in FY 2011-12.

** Funds must be available from this balance to support operating costs and maintain a fund balance reserve for FY 2020-21.

Projected Demand on Fund Balance



* Expenditure projections assume that the Commission does not spend the reserve each year.

Conclusion

- LTFP shows spending continuing to exceed revenue, placing demands on the diminishing fund balance.
- Resources are adequate to cover existing obligations and projected spending through the course of the 2015-2020 Strategic Plan, providing the Commission with the opportunity to gradually transition to a more sustainable spending portfolio with the goal of aligning annual spending with revenue.
- In the short-term, the Commission must adhere to the Governance Guidelines relative to expiring initiatives and the efficiency & cost effectiveness of the 2015-20 Strategic Plan strategies to reflect F5LA's fiscal reality.

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Questions?

1ST  LA
first 5 la
Giving kids the best start



FIRST 5 LA

SUBJECT:
FY 2016-17 Budget Calendar

RECOMMENDATION:
Endorsement of the FY 2016-17 Budget Calendar as presented, postponing implementation of biennial budget adoption by April 30 as required by “Policy and Guidelines for Adoption of the Program and Operating Budgets”.

BACKGROUND:
First 5 LA developed its first official program budget in FY 2011-12. At the June 2012 meeting, the Commission approved a policy to accelerate the budget approval from June to April and move from an annual budget to a biennial budget. The proposed change was intended to provide sufficient advanced notice for agencies receiving First 5 LA funds to allow them to incorporate these funds into their own budget development and operational planning, to promote longer term planning, and to align internal contracting and budgeting processes. Specifically, the approved policy, “Policy and Guidelines for Adoption of the Program and Operating Budgets,” states:

It is the policy of the Commission that the Program and Operating Budgets be prepared and adopted annually by April 30 prior to the implementing fiscal year... The Program and Operating Budgets will include a rolling two-year plan of anticipated revenues and expenditures as well as authority to enter into agreements for the delivery of programs and consistent with the Strategic Plan.

Historically, however, the Commission has approved its budget on an annual basis in June, prior to the start of the next fiscal year. Most recently, in February 2015, the Commission approved postponing full implementation of this policy and adopted a one-year budget for FY 2015-16 in June 2015 due to continued refinements to both the budget development process and the resource requirements for the 2015-2020 Strategic Plan.

DISCUSSION:
After continued discussion and consideration, staff concluded that implementation of the above policy with budget adoption by April 2016 is not feasible due to the following competing priorities and projected workload for this winter/spring, as described below:

- Fully design and implement the organizational transformation
- Reengineer our financial systems
- Implementation of the 2015-2020 Strategic Plan strategies and continued refinement the related resource needs
- Restructure the budget to align with the goals and strategies of the 2015-2020 Strategic Plan

In 2012, early adoption of the budget emerged as a proposed solution to address issues arising from a few contracts requiring Commission approval in April to accommodate their internal budget processes. This has been addressed through early approval of the contracts on the consent calendar. In addition, consistent with the Governance Guidelines, April approval of the budget would require presentation in March, and thus completion in February; the earlier projections are developed, the less accurate they become. As a result,

staff no longer see a business need for early budget adoption. We plan to return to the Commission with further analysis and recommendations for updating the current policy.

Until then, we recommend endorsement of the attached budget calendar, reflecting Commission approval of First 5 LA's FY 2016-17 Budget in June 2016. In addition, we will continue to update the Long Term Financial Projection annually to provide the Commission with a multi-year perspective of commitments, revenues and expenditures.

FY 2016-17 BUDGET CALENDAR

DATE	ACTIVITY	VENUE
December 2015	Brief Budget and Finance Committee on recommended FY 2016-17 budget calendar Provide annual Long Term Financial Plan (LTFP) update to the Budget & Finance Committee	Budget & Finance Committee Meeting
January 2016	Brief Commission on recommended budget calendar Provide annual LTFP update to the Commission	Commission Meeting
January - February 2016	Provide training to First 5 LA staff on budget process and development	Internal Staff Training
February 2016	Request Commission approval on the recommended budget calendar	Commission Meeting
February - April 2016	Complete budget development	Internal Staff Process
April 2016	Present FY 2016-17 Proposed Budget to the Budget and Finance Committee	Budget & Finance Committee Meeting
May 2016	Present FY 2016-17 Proposed Budget to the Commission	Commission Meeting
May 2016	Revise FY 2016-17 Proposed Budget as necessary	Internal Staff Process
May 2016	Present revised FY 2016-17 Proposed Budget to the Budget & Finance Committee as necessary	Budget & Finance Committee Meeting
June 2016	Request Commission adoption of the FY 2016-17 Proposed Budget	Commission Meeting