



***May 14, 2020 COMMISSION MEETING  
AGENDA PACKET ATTACHMENTS (2<sup>nd</sup> Installment) – ITEMS 8 and 9***

**Attachments:**

Item 8: Memo and Annual Strategic Plan Review -Long Range-Financial Plan  
(First Reading)

Item 9: Memo and 2020-21 Draft Administrative Budget (First Reading)



To: First 5 Commission of San Luis Obispo County

From: Wendy Wendt

Date: May 14, 2020

Re: ITEM 8: Long-Range Financial Plan Update (First Reading)

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### **Recommended Action**

Staff is submitting for a first review the revised Long-Range Financial Plan. A final version will be presented for approval at the June 2020 Commission meeting.

### **Background: Revised Long-Range Financial Plan**

Each year the financial plan is revised and updated as part of the annual strategic planning review. The proposed revised plan is attached to this memo. Fiscal Year 2016-20 Strategic Plan Expenditures are highlighted. Memo notations referenced below are numbered on the far left of the Plan table.

### **General Notations:**

Fiscal Years 2016-17, 2017-18 and 2018-19 reflect audited revenue and expenditure amounts and are included for historical reference. Current and future years reflect a combination of approved budgeted amounts and projected amounts as detailed below.

This revision of the Long-Range Financial Plan projects out through the end of the current 4-year Strategic Plan, plus two additional four-year cycles. The final year in the Plan establishes a practice of holding annual program expenditures below annual revenue, and aims to maintain a Fund Balance reserve totaling at least two years of total annual expenditures (Program and Administrative). Future updates of the Long-Range Financial Plan are recommended to sustain this practice.

### **REVENUES:**

**Memo Notation 1:** The plan extends to Year 29 (Fiscal Year 2027-28) in order to demonstrate a long-view on projected operations. Projected revenue amounts for Fiscal Year 2019-20 through Fiscal Year 2023-24 match State Projections published in January 2019 (updated Projections are due end of May 2020). Projected revenue for Fiscal Years beyond 2023-24 decreases annually by 5% (in anticipation that Proposition 10 revenues will continue to decline as the smoking rate declines).

**Memo Notation 2:** Interest revenue is projected at .75% of Fund Balance. This is a slight increase from the .3% projected percentage on prior Financial Plan updates, based on recent investment performance. However, it remains a conservative estimate well below the 2018-19 return of 1.9%.

**Memo Notation 3:** MAA revenues are anticipated remain in stable position near \$50,000 annually as First 5 staff continues to follow updated protocols for tracking and recording MAA-billable activities. First 5 SLO County maintains an annual \$50,000 MAA Contingency Fund to protect against liabilities of this nature, and as recommended by the agency auditor (**Memo Notation 7**).

**Memo Notation 4:** First 5 SLO County has entered into a multi-year contract with the County Behavioral Health Department to oversee an MHSA Innovations Project. The Long Range Plan anticipates three full years of funding revenue (total \$799,998) to support this effort. Updated annual revenue and expense budget figures will be added to the June 2020 draft of this Long-Range Financial Plan.



**Memo Notation 5:** Beginning in FY2020-21, the majority of First 5 California IMPACT funding will be managed through the County Office of Education, which is assuming the fiscal lead role for all county Quality Counts grants. A small portion of IMPACT administration and coordination work will be subcontracted back to First 5, as indicated in the updated Financial Plan draft. This funding will be expensed as a program cost within First 5’s administrative budget, primarily covering personnel and IMPACT-related travel.

**PROGRAM EXPENSE:**

**Memo Notation 6:** See Memo Notation 3 above re: MAA Contingency Fund.

**Memo Notation 7:** Under its Cal Pers Retirement Plan and in compliance with GASB 68, First 5 SLO County reports its proportional share of the state Cal PERS program long-term unfunded liability. A small portion of this liability is paid annually by First 5 SLO County, while the balance is a required liability line item on First 5 SLO County’s Government-Wide Reporting Statement (part of its annual audit). However, only short-term liabilities are reported as part of the Fund Financial Statement (also included in the annual audit), which is the basis for First 5 SLO County’s Long-Range Financial Plan. A \$100,000 expense has been included in the final year of the current Long-Range Financial Plan to account for this liability, while maintaining the Fund Balance figures per the Fund Financial Statement.

**Memo Notation 8:** 2016-20 Strategic Plan Priority Area expenses, approved in December 2015 and updated in audited with actuals through FY 2018-29, are included through Fiscal Year 2019-20.

**Memo Notation 9:** A 5% contingency based on contracted programs was proposed and approved by the Commission in December 2015.

**Memo Notation 10:** A new program line item for MHSA expenses has been added to the Long Range Financial Plan through FY 2021-22, and includes all anticipated expenses (contract and operated) with the exception of personnel, which is included with the Administrative Budget “program personnel.”

**Memo Notation 11:** For the final two years of the current IMPACT program, contractor expenses anticipated to be eligible for HUB fund reimbursement are articulated in contracts separate from the core IMPACT program contracts. Reimbursable funds fall into three broad categories: data system, professional development events (registration and travel), and travel expenses related to regional and state planning meetings.

**Memo Notation 12:** At its March 2020 meeting, the First 5 Commission approved up to \$75,000 in emergency response funding during the COVID-19 pandemic. There was discussion regarding the possibility of creating an annual budgeted item for future potential need to activate such funding. This draft Plan document includes a new annual line item across all future projected years. The upcoming Strategic Plan allocates \$75,000 per year, and the subsequent Strategic Planning period allocates \$50,000.

**ADMINISTRATIVE EXPENSE:**

**Memo Notation 13:** As projected revenues continue to decline in future years, it may become necessary to shrink administrative costs. To model this likely scenario, the modified Financial Plan includes level-funded Total Administration expenses beginning half-way through the next four-year Strategic Plan and the subsequent strategic plan.



Long-Range Financial Plan		AUDITED 2016-2017	AUDITED 2017-2018	AUDITED 2018-2019	BUDGETED 2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028
		Year 18	Year 19	Year 20	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29
	Fund Balance Beginning of Period	8,319,744	8,369,464	8,621,801	8,850,444	8,351,022	7,770,425	7,039,954	6,285,283	5,482,284	5,061,856	4,570,438	4,010,890
1	Prop 10 Tax Revenues actual to 2018-19 (budgeted 19-20, state projections through Year 25, then 5% annual decline projected for outlying years)	1,668,413	1,553,037	1,596,654	1,624,356	1,541,155	1,477,689	1,470,802	1,428,134	1,356,727	1,288,891	1,224,446	1,163,224
2	Interest Revenue (.75%)	60,448	111,400	168,053	60,520	62,633	58,278	52,800	47,140	41,117	37,964	34,278	30,082
	<b>TOTAL TAX/INTEREST REVENUE</b>	<b>1,728,861</b>	<b>1,664,437</b>	<b>1,764,707</b>	<b>1,684,876</b>	<b>1,603,788</b>	<b>1,535,967</b>	<b>1,523,602</b>	<b>1,475,274</b>	<b>1,397,844</b>	<b>1,326,855</b>	<b>1,258,725</b>	<b>1,193,306</b>
	<b>OTHER REVENUE:</b>												
3	MAA	9,603	49859	68390	50000	50000							
	Other Revenue (grants, sponsorships, etc.)	6,541	175	12,511									
4	MHSA INNOVATIONS				257048	264804	278146						
5	IMPACT	249,368	560,062	469,844	581,584	37407							
	IMPACT HUB PAYMENTS		28,281	47,852	55,000								
	<b>TOTAL REVENUE</b>	<b>1,994,373</b>	<b>2,302,814</b>	<b>2,363,304</b>	<b>2,628,506</b>	<b>1,955,999</b>	<b>1,814,113</b>	<b>1,523,602</b>	<b>1,475,274</b>	<b>1,397,844</b>	<b>1,326,855</b>	<b>1,258,725</b>	<b>1,193,306</b>
	<b>TOTAL REVENUE PLUS BEGINNING BALANCE</b>	<b>10,314,117</b>	<b>10,672,278</b>	<b>10,985,105</b>	<b>11,478,952</b>	<b>10,307,021</b>	<b>9,584,538</b>	<b>8,563,556</b>	<b>7,760,557</b>	<b>6,880,129</b>	<b>6,388,711</b>	<b>5,829,163</b>	<b>5,204,196</b>
6	CONTINGENCY FUND FOR MAA					-50000							
7	UNFUNDED LIABILITY												(100,000)
	<b>Pre-2011 INITIATIVES:</b>												
	School Readiness (all programs)												
	School Readiness Evaluation												
	Children's Health Initiative												
	Perinatal Substance Abuse Initiative												
	Oral Health Initiative (FY 2011-12 carryover 2 yr contract)												
	Other Programs (Raising A Reader/Kits)												
	<b>2011-15 INITIATIVES</b>												
	Health Initiative												
	Oral Health Initiative												
	Perinatal Substance Abuse Prevention Initiative												
	Special Needs Initiative												
	School Readiness Initiative												
	First 5 Media, Kits, Other												
8	<b>2016-2020 PRIORITY AREAS</b>					(1,400,000)	(1,400,000)	(1,400,000)	(1,400,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
	Perinatal Readiness	(216,899)	(229,701)	(235,741)	(341,137)								
	Family Strengthening	(180,233)	(276,384)	(297,491)	(373,493)								
	Child Health and Development	(176,632)	(169,024)	(154,143)	(373,760)								
	Early Learning (Core Allocation)	(571,674)	(378,983)	(400,253)	(438,479)								
9	Program Contingency (5% of Priority Area Investment)				(76,343)								
	First 5 Kits	(1,170)	(1,100)	(1,100)	(1,200)								
10	MHSA				(226,202)	(233,028)	(244,768)						
	Early Learning (IMPACT)	(299,238)	(456,933)	(476,676)	(433,689)								
11	IMPACT Regional HUB Contracts				(52,000)								
	BASELINE EVALUATION EXPENSE 2% (approved 2012-13)	(34,214)	(32,642)	(30,388)	(35,061)	(28,000)	(32,895)	(28,000)	(28,000)	(20,000)	(20,000)	(20,000)	(20,000)
	SYSTEMS CHANGE/ADVOCACY AND POLICY EFFORTS	(36,555)	(35,512)	(36,897)	(100,000)	(75,000)	(75,000)	(75,000)	(75,000)	(50,000)	(50,000)	(50,000)	(50,000)
12	Emergency Response Funding				(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(50,000)	(50,000)	(50,000)	(50,000)
	SPONSORSHIPS	(3,100)	(2,600)	(8,800)	(12,000)	(10,000)	(10,000)	(10,000)	(10,000)	(8,000)	(8,000)	(8,000)	(8,000)
	<b>TOTAL PROGRAM EXPENSE</b>	<b>(1,519,715)</b>	<b>(1,582,879)</b>	<b>(1,641,489)</b>	<b>(2,538,345)</b>	<b>(1,871,028)</b>	<b>(1,837,664)</b>	<b>(1,588,000)</b>	<b>(1,588,000)</b>	<b>(1,128,000)</b>	<b>(1,128,000)</b>	<b>(1,128,000)</b>	<b>(1,228,000)</b>
	<b>ADMINISTRATION:</b>												
	<b>BASELINE: Proposed 2011-12 budget, 1.8% CPI YR. 14-23; level funded after</b>												
	Program Personnel and Program Operating Expense	(219,647)	(265,989)	(261,892)	(310,584)	(381,545)	(417,785)	(395,933)	(395,933)	(395,933)	(395,933)	(395,933)	(395,933)
13	Administrative Personnel and Operating Expense	(205,291)	(201,609)	(231,280)	(279,001)	(284,023)	(289,135)	(294,340)	(294,340)	(294,340)	(294,340)	(294,340)	(294,340)
	<b>TOTAL ADMINISTRATION:</b>	<b>(424,938)</b>	<b>(467,598)</b>	<b>(493,172)</b>	<b>(589,585)</b>	<b>(665,568)</b>	<b>(706,920)</b>	<b>(690,273)</b>	<b>(690,273)</b>	<b>(690,273)</b>	<b>(690,273)</b>	<b>(690,273)</b>	<b>(690,273)</b>
	<b>TOTAL EXPENSE</b>	<b>(1,944,653)</b>	<b>(2,050,477)</b>	<b>(2,134,661)</b>	<b>(3,127,930)</b>	<b>(2,536,595)</b>	<b>(2,544,584)</b>	<b>(2,278,273)</b>	<b>(2,278,273)</b>	<b>(1,818,273)</b>	<b>(1,818,273)</b>	<b>(1,818,273)</b>	<b>(1,918,273)</b>
	<b>Remaining Fund Balance End of period</b>	<b>8,369,464</b>	<b>8,621,801</b>	<b>8,850,444</b>	<b>8,351,022</b>	<b>7,770,425</b>	<b>7,039,954</b>	<b>6,285,283</b>	<b>5,482,284</b>	<b>5,061,856</b>	<b>4,570,438</b>	<b>4,010,890</b>	<b>3,285,924</b>
	Administrative %	10.56%	9.83%	10.83%	8.92%	11.20%	11.36%	12.92%	12.92%	16.19%	16.19%	16.19%	15.34%
	Direct Program Investment to Total Expenses	78%	77%	77%	81%	74%	72%	70%	70%	62%	62%	62%	64%

ATTACHMENT:  
Draft Plan  
("FY 20-21")



To: First 5 Commissioners of San Luis Obispo County

From: Wendy Wendt

Date: May 14, 2020

Re: ITEM 9: FY 2020-21 Proposed Administrative Budget

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**Recommended Action**

Staff is requesting initial Commission review and discussion of the proposed Administrative Budget for Fiscal Year 2020-21. Final review and approval are scheduled for the June 24, 2020 Commission meeting.

**PROPOSED ADMINISTRATIVE BUDGET FOR FISCAL YEAR 2018-19 (Attachment 1)**

Staff recommends a total administrative budget in the amount of \$665,568 for FY 2020-21. This amount is included in the Commission’s Long Range Financial Plan (draft pending approval, June 24, 2020). *Note that the attached Administrative Budget draft totals \$611,592, leaving a difference of \$53,676 between current budget estimate and the current Long-Range Financial Plan draft. Staff requests Commission guidance on the optimal way to address this variance.*

The recommended amount represents an organizational structure that includes two full-time staff (Executive Director, Associate Director) one 35 hours per week (.875 FTE) Communications and Outreach Officer, one 20 hours per week (.5 FTE) Special Projects Administrator (IMPACT and Help Me Grow), and one 16 hours per week (.4 FTE) Special Projects Administrator (MHSA 3 by 3 Developmental Screening Partnership).

The proposed budget also includes a contingency amount of \$20,000 (approximately 4%) to provide for unforeseen expenses related to future needs. Contingency items may include any other unforeseen expenses related to increased costs for various new professional service contracts.

In accordance with the proposed Financial Plan, a total of \$1,871,028 has been projected for program and evaluation expense, plus \$381,545 in program-related personnel/operating costs, totaling \$2,252,573. Total operating expense is projected at 2,536,596.

The projected administrative expense of 11.2% is within the Commission’s established maximum of 15%.

Additional notes appear as “Comments” in the far right column of the attached 2022-21 Budget Draft.

**ATTACHMENT 1**

First 5 San Luis Obispo County 2020-21 Budget (May 14, 2020 Draft)

Prop 10 Expenditures	2019-20 Adopted Administrative Budget	2020-21 Proposed Administrative Budget	Variance	Comments
<b>Salaries</b>	279,648	308,135	28,487	Salary Schedule approved December 2016; 5 staff members
<b>Benefits</b>	111,859	115,863	4,004	computed at 40% for all but MHSA Admin (6% - no med or retirement)
			-	
<b>Sub-Total Salary and Benefits</b>	<b>391,507</b>	<b>423,998</b>	<b>32,491</b>	
<b>Professional Services</b>				
Payroll Services	3,510	3,510	-	\$130 x 26 pay periods
Legal Services	23,500	23,500	-	level funded
Outside Auditor	7,500	8,000	500	per estimate provided by auditor applicant
Public Health MAA Fee	5,000	5,000	-	fee = 10% of MAA invoice amount as per contract with Public Health (est. \$50000)
Cal PERS GASB 68 Valuation Fee	700	700	-	
Outreach Events Costs	2,000	-	(2,000)	All outreach staffing now in-house
IT Services	15,000	15,000	-	IT Upgrade scheduled for 2020 + regular maintenance (postponed in prior year due to pandemic)
Bookkeeping	5,000	5,000	-	Fiscal Reporting Analysis
Strategic Planning	10,000	-	(10,000)	Strategic Plan due completed
<b>Sub -Total Professional Services</b>	<b>72,210</b>	<b>60,710</b>	<b>(11,500)</b>	
<b>Services and Supplies</b>				
Computer Supplies	1,000	1,000	-	software, other accessories;
Copy/Printing	3,000	2,000	(1,000)	
Food	800	800	-	
Insurance	3,700	3,700	-	liability/property/crime
Maintenance Contracts	1,000	500	(500)	copier maintenance; majority of expense now under Significant Value Purchase (new copier lease)
Memberships	5,000	5,000	-	State Association dues, Children Services Network support, SLO Chamber Dues
Office Expense	3,000	3,000	-	\$1000 in IMPACT PROGRAM MATERIALS
County Auditing Services	8,052	8,310	258	2020-21 agreement
Postage	100	100	-	
Registration/Training	5,000	5,000	-	attendance at state meetings, staff summits, professional development activities, staff tech training
Rent/Utilities	45,515	46,474	959	anticipated rent increase starting July 2020
Significant Value Purchase	5,000	10,000	5,000	reserved for 7-10 year old equipment (e.g. printers; office furniture, computers, etc.) - new laptops, office cell phones scheduled for purchase
Special Dept. Expense	14,180	12,000	(2,180)	Outreach and Promotion Materials; special event costs
Phone/Data/Internet Access	5,000	5,000	-	\$200/mo. (Cable and phones); anticipated tech upgrade
Travel Expenses	5,522	4,000	(1,522)	out-of-county meetings & conferences, in-county employee mileage + IMPACT TRAVEL
Contingency	20,000	20,000	-	3.6% of Administrative budget.
<b>Sub-Total Services and Supplies</b>	<b>125,869</b>	<b>126,884</b>	<b>1,015</b>	
			-	
<b>Administrative Expense</b>	589,585	665,568	75,983	based on 2016-28 financial plan; includes IMPACT and MHSA - MAY DRAFT TOTALS 611,592
Less: Program Related Admin	(310,584)	(381,545)	(70,961)	based on 2016-28 financial plan
<b>Total Administrative Expense</b>	<b>279,001</b>	<b>284,023</b>	<b>5,022</b>	
<b>Program &amp; Evaluation Expense</b>	2,463,345	1,871,028	(592,317)	based on 2016-28 financial plan
Plus: Program Related Admin	310,584	381,545	70,961	
<b>Total Program &amp; Evaluation Expense</b>	<b>2,773,929</b>	<b>2,252,573</b>	<b>(521,356)</b>	
<b>Administrative Percentage</b>	<b>9.14%</b>	<b>11.20%</b>		
<b>Total Operating Expense</b>	<b>3,052,930</b>	<b>2,536,596</b>	<b>(516,334)</b>	
	<b>589,585</b>	<b>611,592</b>		