IMPERIAL COUNTY

CHILDREN & FAMILIES

FIRST COMMISSION

Long Term Financial Plan

2010 - 2017

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I. Executive Summary

Since it was formed in 1998, the Imperial County Children and Families First Commission (Commission) has made significant community investment on behalf of children aged 0-5 and their families. As the Commission moves beyond its initial ten-year period of organizational growth and development, it enters an era in which it must make careful and difficult funding decisions (incorporating the reality that, as the desired effect of reducing smoking rates is achieved, the tobacco tax dollars on which Prop 10 funds are based are decreasing and will continue to decline).
The Commission began fiscal year 2009-2010 with:

- Financial Reserve Fund Balance of $2.05 million;
- Uncommitted funds balance of approximately $1.29 million;
- Budgeted program investments of $4.37 million (during two fiscal years)

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

The Long Term Financial Plan establishes annual program investments that:

- Will continue to be maintained annually at a level between $1.7 to $2.2 million through the end of fiscal year 2017
- 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 will commence using current year Prop 10 allocation funds and reserves to support program investments in 2009/10;
- Reserves will be depleted in 2017/18 if trends persist; and
- Over the 7 years of the plan, the Commission is expected to receive $16.6 million in Prop 10 revenues and allocate approximately $20 million in program investments, funded in part by reserves.

The local Commission expenditures over the next seven years are estimated to exceed annual tax revenues and thus will commence reducing reserved funds to offset the difference. Therefore the Commission will have completed the Increased Reserve period and commenced the Sustained Investment period. During this period, total annual funding for Major Grants will range from $1.7 to $2.2 million, Mini-Grants (optional) will not exceed $125,000 and Commission administered programs or initiatives will not exceed $300,000.

The Long Term Financial Plan (LTFP) is an integral part of the local commission's ongoing planning cycle. On an annual basis, the plan will be updated with actual financial data and assumptions will be reviewed for continued accuracy. Changes to the

Commission's LTFP will be driven by changes in strategic direction and/or philosophy as reflected in the Strategic Plan which will also be reviewed and revised.

Plan Periods Breakdown

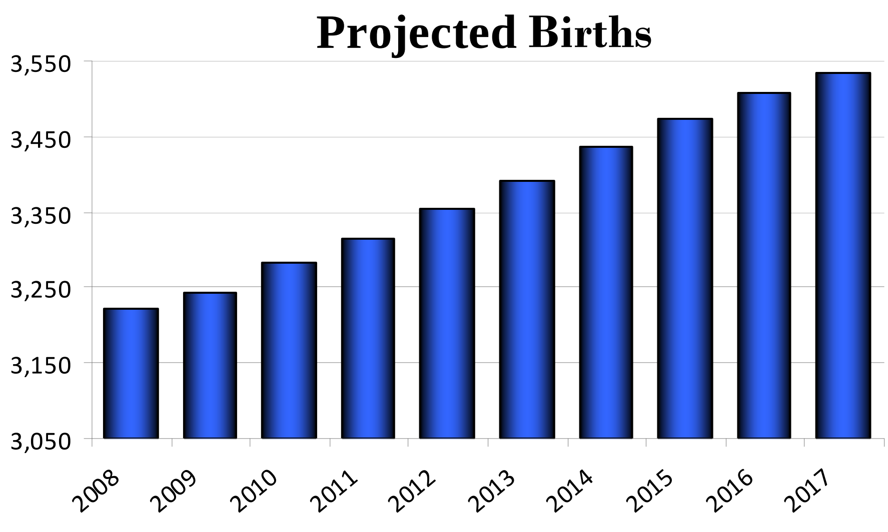
First Period			Second Period						
06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16
Increased Reserve			Sustained Investment						

II. Financial Plan Goals, Objectives, Assumptions and Principles

Long Term Financial Plan Goals

In its continued effort of maintaining programs that have benefited the county and provide funding assistance for future project's that will target the needs that arise, the Commission has developed the LTFP to cover the costs associated with a reduction in future revenues. Even though the population of Imperial County is projected to increase at a rate of 9% from 2009 through 2017, the revenues are going to decrease due to a reallocation of tax revenues to other state programs. The purpose of the LTFP is to stabilize program funding by assuring that the Commission has enough funds to offset the reduction of revenues while maintaining the same previous funding amounts during the next seven years. The main goals of the plan are to:

- Develop a seven 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 seven year time span. The main objective of the plan is to establish stability in funding through fiscal year 2016-2017. This plan will be reviewed annually and revised if needed to more accurately project future resource allocations. The main objectives of the plan include:

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

Financial Planning Model Assumptions

Plan projections are based on various factors provided from First 5 California, and forecasts commencing year 2010. Calculations are based on the following assumptions:

1. **Prop 10 revenues –** The financial planning model uses county-level projections provided by First 5 California for Prop 10 revenues through 2014. Beyond that, revenues are estimated based on the trend established by the Commission office to forecast revenues using projections provided by First 5 California.

Projected Prop 10 Revenues to Imperial County
By Fiscal Year, In Millions of Dollars

10/11	11/12	12/13	13/14	14/15	15/16	16/17
$2.19	$2.26	$2.18	$2.11	$1.99	$1.94	1.88

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 1.5%.
3. **Disposition of interest earnings –** Interest earnings are used as a source of revenue for the future years and as information for revising plan.
4. **Reserve for School Readiness –** A reserve amount of about $60,000 will be set aside for future school readiness match commitments
5. **Operating expenses –** The financial planning model uses $2.5 million budgeted as a fixed average, and assumes this annual average of the total operating budget for the seven year plan period. Operating expenses (budget) for program support and administration include salary and benefits, data collection and evaluation, services and supplies, insurance and contracted/professional services.
6. **End of year Balance**- The plan projections do not include end-of-year unspent balances from total budgeted expenses (including program, evaluation and administrative expenses).
7. **Administrative Costs**- Annual administrative costs (which are to support the program and evaluation costs) will not exceed 15% of the total operating budget.
8. **Level of other revenues –** The Commission will look to extend its resources and increase its impact by exploring opportunities for local public and/or private sector partnerships. However, the model will not reflect matching or other revenues unless a commitment is established.

Long Term Financial Plan Principles

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

1. The LTFP is designed to communicate the Commission's long term approach to funding; therefore, it estimates revenues and expenses over a 7 year time horizon.
2. The Commission will use the LTFP as the framework for annual development and/or updating of its two-year funding cycle and budget.
3. The LTFP will address programmatic funding commitments, and will not obligate the Commission to actual contracts or funding awards.

4. The Commission will update the financial model annually based on actual data and will review (and revise as appropriate) the LTFP when deemed necessary. As part of the update process, Commission staff will validate that the assumptions in the financial model are still appropriate and make any necessary changes.
5. Changes to the LTFP shall be approved by the Commission. Revisions to the LTFP will be approved prior to, in conjunction with, or in alignment with the development of the two-year funding cycle and/or the annual budget.
6. In order to effectively implement the Long Term Financial Plan, and as input to the two-year funding cycles and annual budgets, the Commission will regularly review data on the distribution and impact of its program investment (both current and committed). These data will include:
    a. Distribution of program investment across Goals and Results;
    b. Proportion of program investment made through Major grants and Mini-grants;
    c. Proportion of program investment made through "dedicated programs" (if any);
    d. Geographical areas and target populations served.

III. Long-Term Financial Forecasts

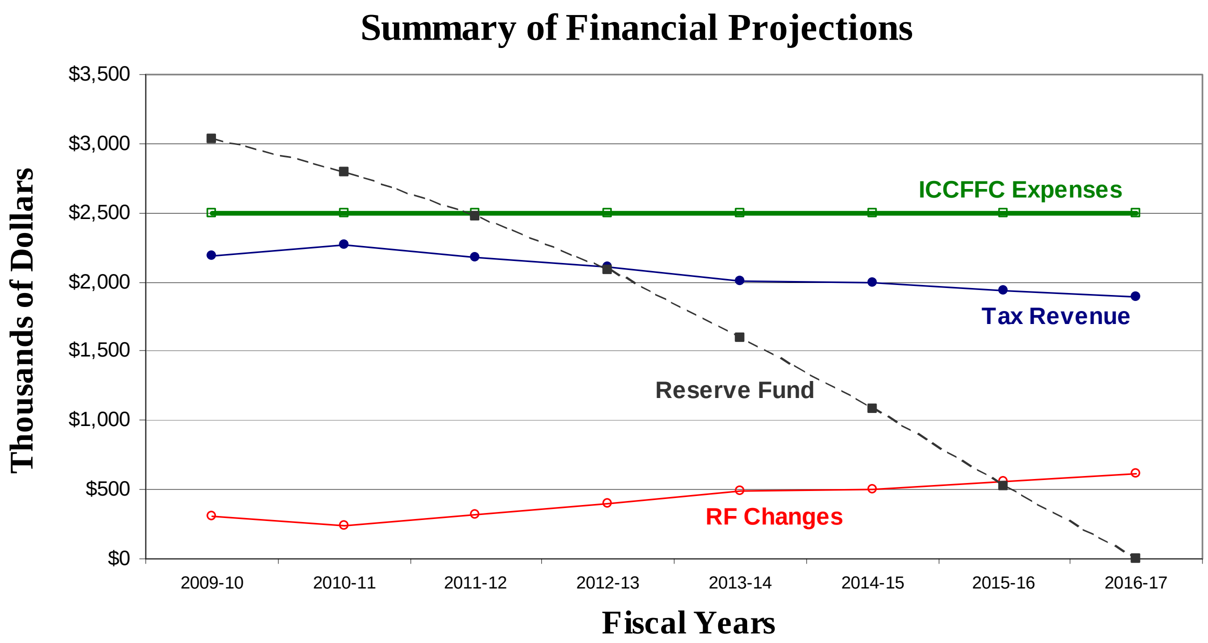
Proposition 10 revenues distributed to the Imperial County will be decreasing annually. The Commission has reserved an amount equal to $205,000 for every year since it was adopted during the Increased Reserve period ending on 2008-2009. During this period the total Reserve Fund Balance has accumulated $2.05 million, and maintains an Unreserved Fund Balance of approximately $1.29 million. The Commission will commence the Sustained Investment period on fiscal year 2009-2010. During this period, reserve and unreserved balance funds will be spent to offset the excess of total year expenditures over annual tax revenues during the coming years. Tax revenues will normally descend year after year while expenses stay fixed (expenses averaging $2.5 million), so the gap will continue to widen; thus the amount funded through reserves will be increasing and the reserve and unreserved funds balance will be decreasing annually. The following table and chart depict the estimated end of year 2009-2010 and a projection of the seven-year plan (2010-2017). The projections include the following columns: Tax Revenue are annual Prop 10 revenues; ICCFFC Expenses are total year expenses which includes program, evaluation and administrative expenses; Reserve Fund (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
2009-2010	2,194	2,500	3,034	(306)
2010-2011	2,263	2,500	2,797	(237)
2011-2012	2,180	2,500	2,477	(320)
2012-2013	2,105	2,500	2,082	(395)
2013-2014	2,011	2,500	1,593	(489)
2014-2015	1,993	2,500	1,087	(507)
2015-2016	1,941	2,500	528	(559)
2016-2017	1,888	2,500	(82)	(612)

* Not all figures are rounded



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 by 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

Long-Term Financial Strategy

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

- If revenues were to increase Commission may move the plan forward to future years, implementing the Sustained Investment period at a later year.
- If revenues were to decrease 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.