

Long Term Financial Plan Update

Commission Meeting

October 7, 2009

Agenda Item No. 5

Commission Actions Leading to 2009 Update

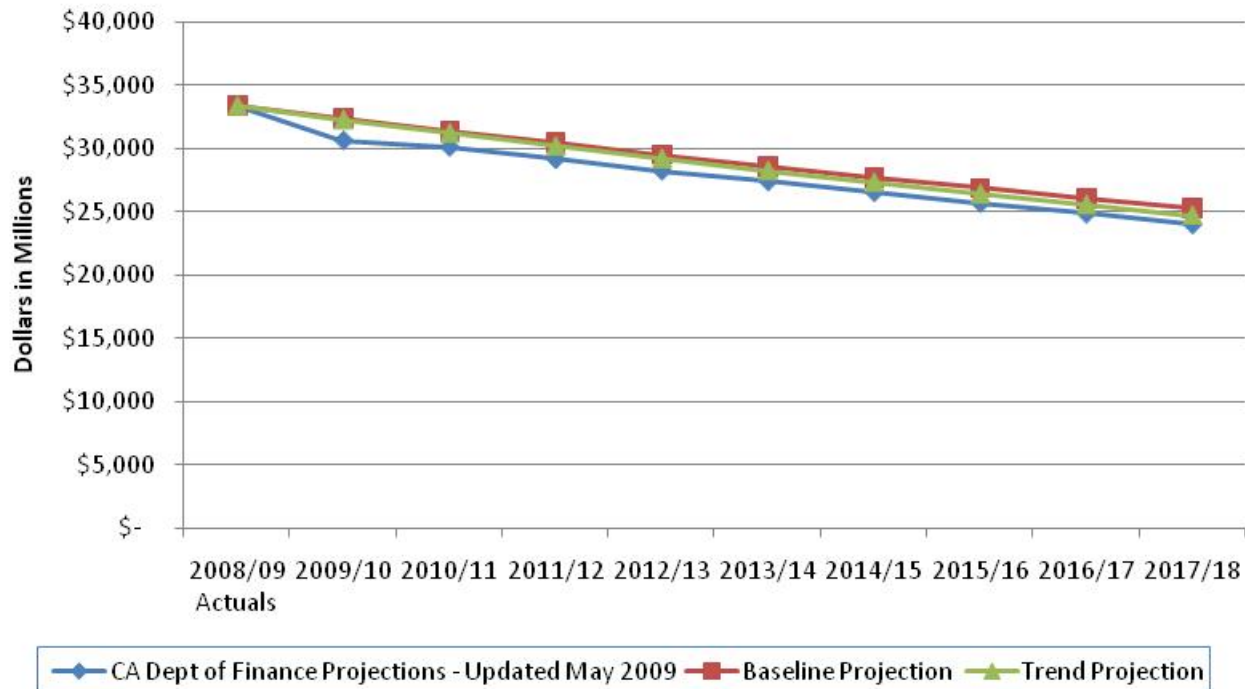
- July 2008
 - As part of revenue protection strategy, Commission contracts for critical services through June 30, 2011; encumbers approximately \$70 million of available fund balance through multi-year agreements; increased capital and contract reserves by \$64 million
- April 2009
 - Federal government approves \$.72 increase excise tax as part of SCHIP reauthorization, bringing federal tax to \$1.01 effective April 1
- May 2009
 - Proposition 1D, which would redirect Prop 10 funds, fails by large margin; FY 09/10 Budget approved with initial target reduction of \$8 million
- June/July 2009
 - At Commission retreat, Commission directs staff to work on alternative funding scenarios to ensure safety net services are protected and to continue with preliminary reduction plan
- Sept 2009
 - Commission directs staff to test and analyze various scenarios related to funding levels and allocations

Updated Revenue Forecast

Based on FY09/10 Actuals and Current Forecasts

OC Prop 10 Revenue Forecast

Updated as of September 2009



- Staff has tested various revenue scenarios based on forecasted and historical experience
 - Differential among revenue scenarios is between 3 and 5%
- Annual revenue decline estimated between 3 and 4 percent

Fund Balance as of June 30, 2009

	Dollars in Millions	
Reserve for Encumbrances	\$	70,245
Reserve for Pending Contracts	\$	27,017
Reserve for Capital Projects	\$	4,000
Reserve for Imprest	\$	15
Designated/Unreserved	\$	21,245
Total Fund Balances	\$	122,522

Encumbrances – Result of July 2008 action includes

- Funded encumbrances of \$45 mil in FY 09/10
- Funded encumbrances of \$18 mil in FY 10/11

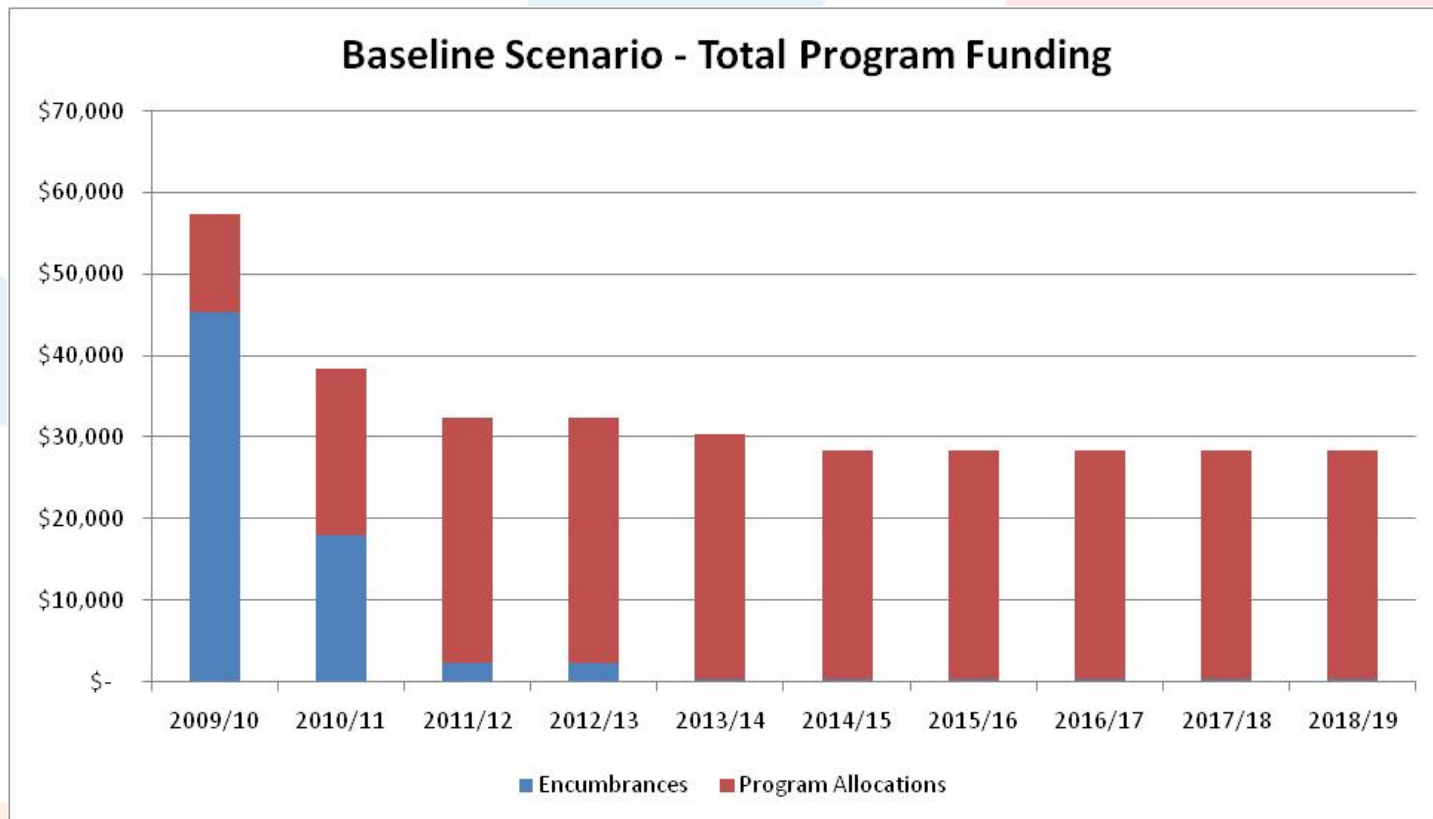
Contracts authorized by Commission pending execution

Sustainability fund available to support long-term program commitments

- Commission staff has been reviewing all encumbrances and evaluating continued obligations
- All contract obligations can be revisited on annual basis consistent with annual program review



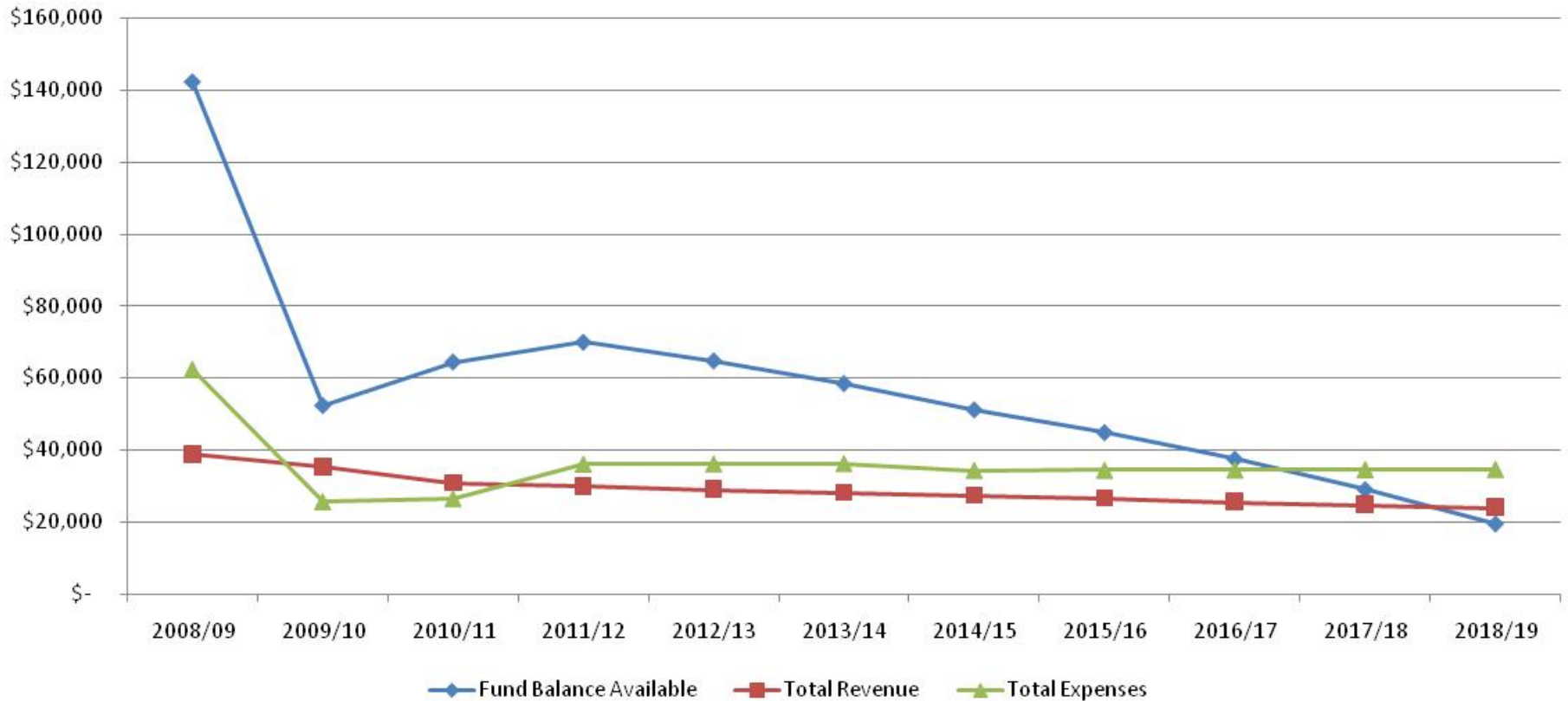
Long Term Forecast - Baseline Scenario



- Baseline Scenario – Tiered reduction of program investments over the next 3 to 5 years
 - **Step 1 Reduction for FY09/10:** Minimal reduction of \$8 million in FY 09/10 Budget; reduces total program investments to \$59.8 million (includes one-time capital funds)
 - **Step 2 Reduction for FY 10/11:** Program investments of \$38 million
 - **Step 3 Reduction for FY 11/12:** Program investments of \$30 million
 - **Step 4 Sustained investments of beginning in FY 2014/15 of \$28 million** through FY 2019
 - **Ending fund balance projected at \$20 million**

Long-Term Forecast – Baseline Plan

Long Term Financial Plan
Baseline Scenario - September 2009



Note: FY09/10 and 10/11 encumbrances are reflected in Fund Balance; not in total expenses.

Other Assumptions and Factors for Consideration

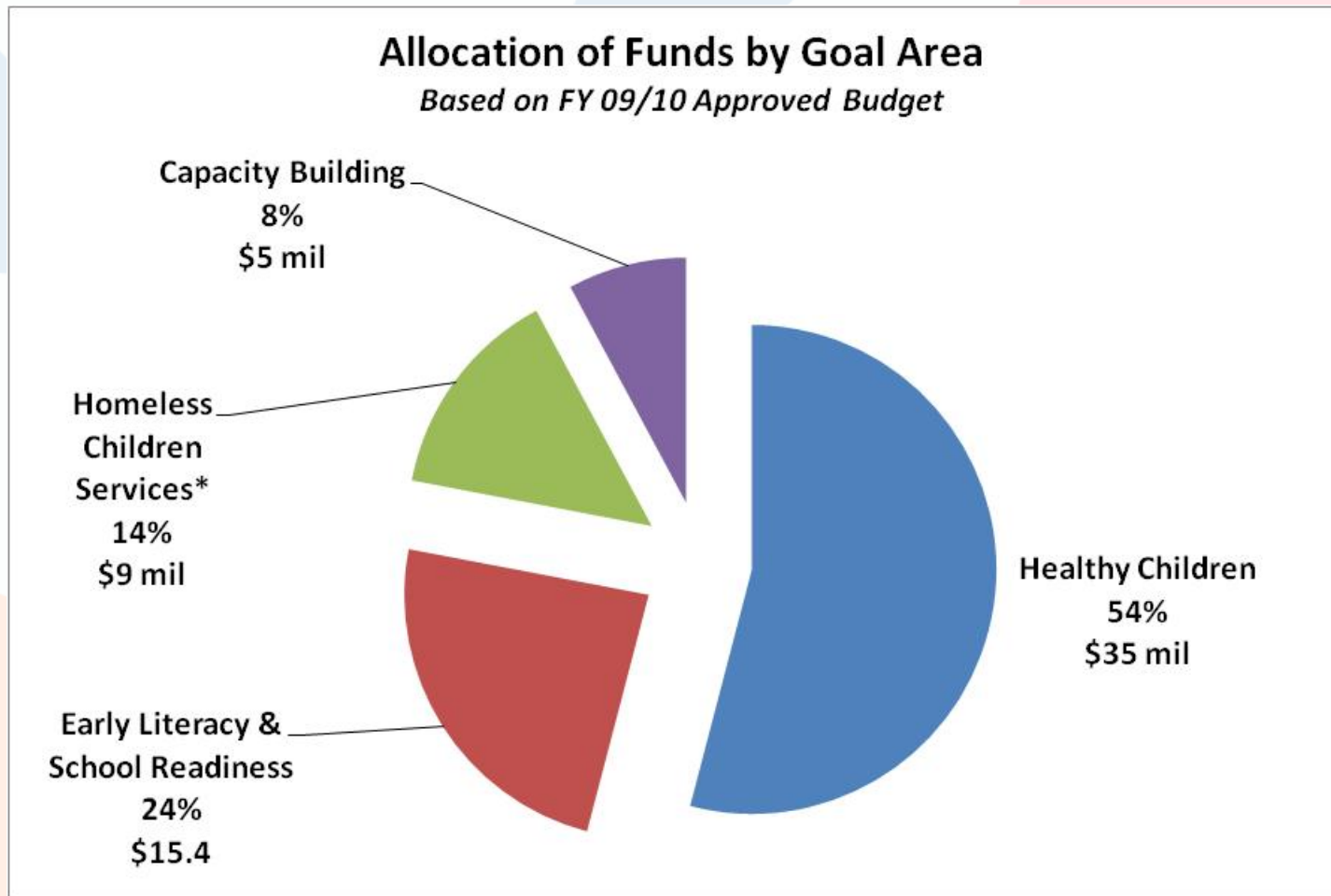
- Revenue
 - Interest rate is approximately 1.5% for 5 year U.S. Treasury Government Bonds (Long Term Investment Fund average return)
- No program allocations are assumed beyond current approved contract obligations
 - Funding assumed in total
 - Pending Commission direction on actual allocation of funds within and among each program area (e.g. health, early learning)

FY 09/10 Budget Reduction Proposal

- Consistent with Board direction, staff has identified \$6.7 million in savings against the \$8 million approved target in:
 - \$3.7 million in release of capital reserves and prior encumbrances
 - \$2.3 million delayed expansion of Early Literacy Programs
 - .7 million in additional operating savings
- An additional \$5.6 million in potential savings under review
- Staff continuing to identify potential operating savings for FY 09/10 and 10/11
 - Evaluation system
 - Other administrative expenses
- Identifying catalytic or one-time funding (e.g. capital projects) opportunities to reduce ongoing funding requirements

Current Allocations of Funds

Based on Approved FY 09/10 Budget

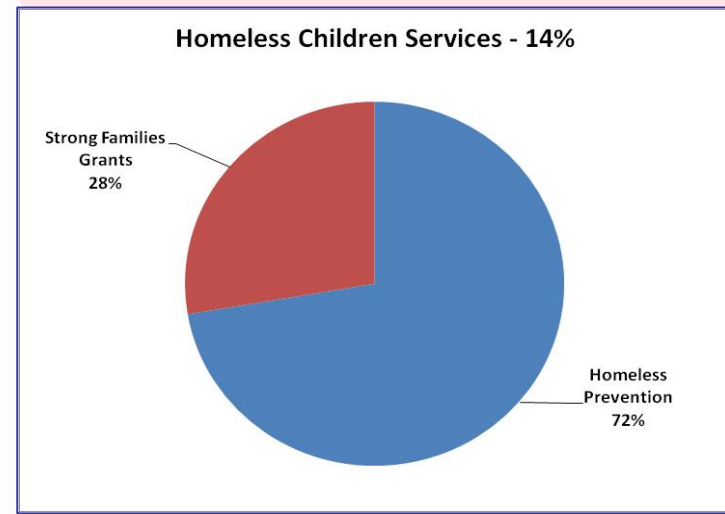
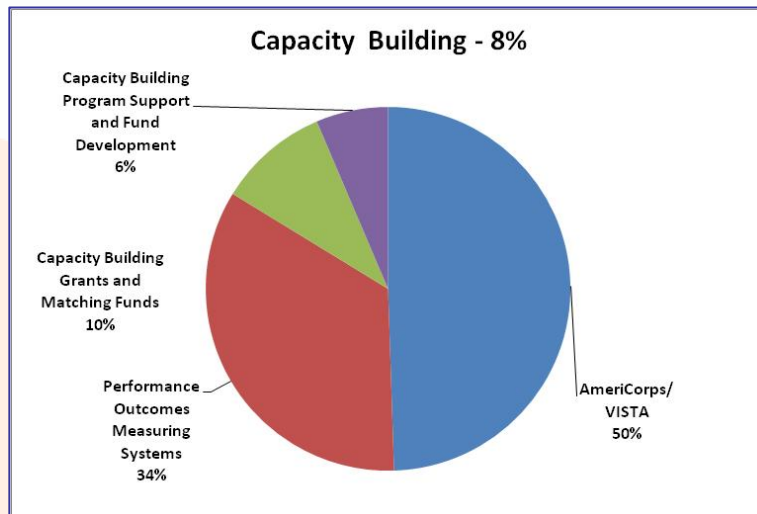
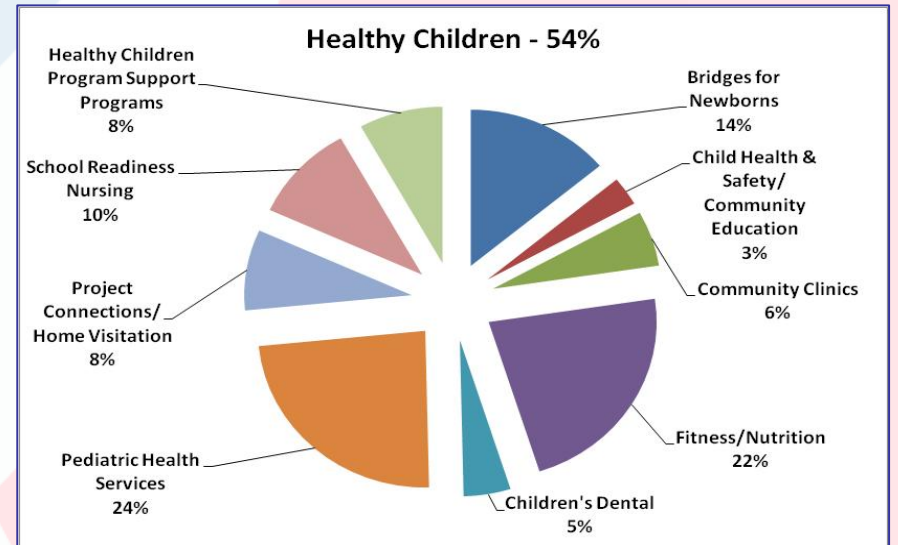
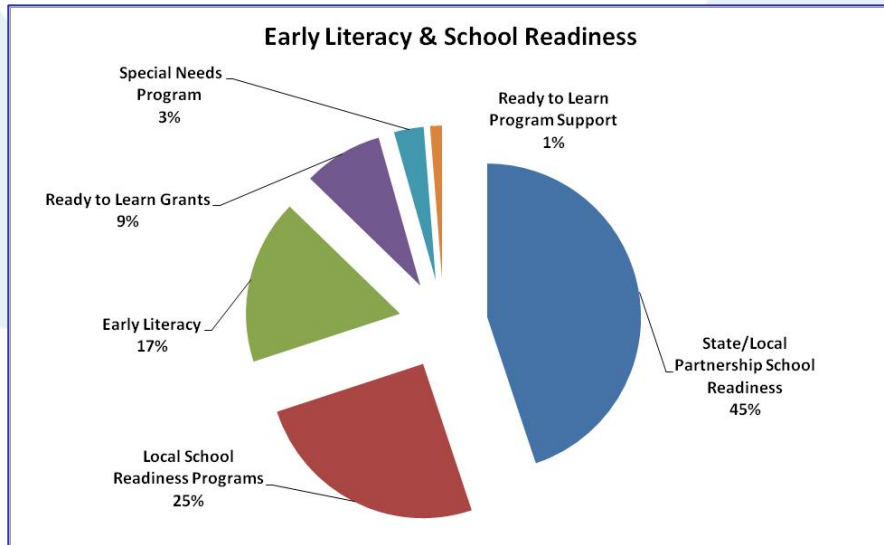


Note: Allocations do not reflect pending \$8 million in FY 09/10 Budget reductions.

*Homeless services include one-time carryover funds.

Current Allocations of Funds

Based on Approved FY 09/10 Budget



Next Steps

- Financial Management
 - Aggressively continue legislative advocacy efforts to protect funds and ensure Prop 10 sustainability
 - Implement FY 09/10 Budget reductions based on Commission direction and continue to review and develop additional savings
 - Regularly review updated Long Term Financial Plan projections. Reviews will occur prior to annual budget process and as part of year-end financial reporting.
- Develop overall funding parameters based on Commission direction and rely on program area working groups to determine allocations within major goals
 - Set budget targets for fiscal year 2010/11 and beyond