

Strategic Financial Plan Update

November 7, 2012
Agenda Item No. 5



Prop. 10 Tobacco Tax Revenue Forecasts

	FY 2011/12 Actual Per Audit	FY 2012/13 Amended Budget	FY 2013/14 Projection	FY 2014/15 Projection	FY 2015/16 Projection	FY 2016/17 Projection
Tobacco Tax Revenue (First 5 CA Projection)	\$28,988,350	\$27,971,800	\$25,208,440	\$24,198,406	\$23,137,575	\$22,212,072
Historical Trend Projection			\$26,992,787	\$25,913,076	\$24,876,552	\$23,881,490
% change from prior year	+.62%	-3.5%	-9.9%	-4.0%	-4.4%	-4.0%

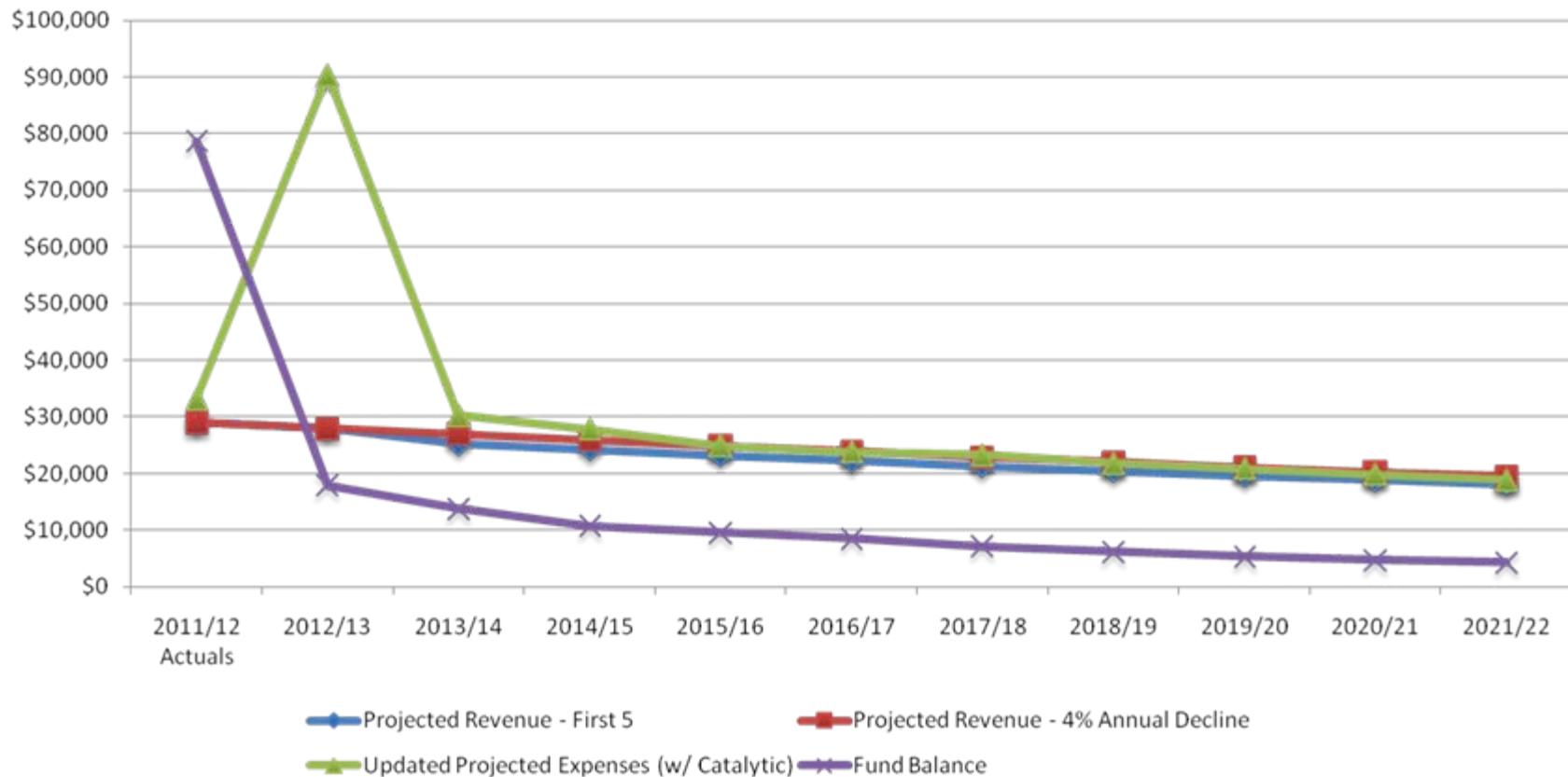
- Decline in Prop 99 Backfill amounts outpaced BOE Administrative costs increase in FY 2011/12.
- Current FY 2012/13 budget represents a 7.5% decline from prior year actual revenue.
- Staff recommends revising budget assumption to a 3.5% decline for FY 2012/13 based on prior year results. Budgeted revenue will increase from \$26.8 million to \$27.9 million. A net increase of \$1.1 million.
- First 5 California revenue projections have not been updated based FY 11/12 Actuals and are available through FY 2016. All remaining years assume a 4% decline consistent with the Long-Term Financial Plan.

Summary of FY 2011/12 Financial Results and FY 2012/13 Amended Budget

- Financial Results as of June 30, 2012
 - Ending Fund Balance of \$78.7 million
 - \$45.1 million – Committed Fund Balance for Catalytic Round I Funding
 - \$33.6 million – Assigned Fund Balance (including \$10 million Catalytic Round II)
 - \$28.99 million Tax Revenue was 5.9% over budget (\$1.6 million)
 - Consistent with the Long Term Financial Plan, \$2.63 million draw down of assigned fund balance
- The FY 2012/13 Amended Budget
 - Projected Ending Fund Balance for June 30, 2013 of \$17.95 million (net of committed Catalytic funding)
 - \$1.8 million increase to Budgeted Revenues
 - \$2.2 million carryover of contract amounts not expended in FY 2011/12

Updated Long Term Financial Plan

Based on June 30, 2012 Year End



Long Term Financial Plan assumes:

1. First 5 California revenue forecast and historical trend forecast (4% annual decline) presented for comparison
2. Catalytic Round I and II Funding of \$55 million
3. Administration limited to 10% annually
4. Fund balance maintained at 25% per Commission policy. May need to be revisited in FY 2019/20.

Funding Options

- As Commission considers future program investments, two potential funding options:
 - \$1 million one-time funding available to support priorities if directed by the Commission
 - Higher than anticipated revenue in FY 2011/12 and increased forecast for FY 2012/13; even with risk of lower revenues funding would be consistent with prior Commission direction
 - Maintains planned annual step down strategy presented at the November 2011 and March 2012 Commission meetings
 - Maintains compliance with minimum fund balance policy
 - Funding could also be used to increase reserve. Other Commissions have as high as a 50% reserve policy. Current Commission policy is 25%.
- \$500,000 available in FY 2012/13 Early Learning Budget to support priorities identified at the September and December planning workshops

Next Steps

- December: Early Learning Workshop to review potential expansion strategies and receive program updates
- January: Receive Proposals based on Commission Direction and Receive Further Direction
- February: Funding Actions and Long Term Financial Plan Update incorporating Commission action
- March: FY 2013/14 Budget assumptions will presented to the Commission