



COMMITTEE ROUTING	
Administrative/Finance	<input type="checkbox"/>
Operations	<input type="checkbox"/>
Executive	<input type="checkbox"/>

### ACTION AGENDA SUMMARY

AGENDA DATE: May 26, 2020

COMMISSION AGENDA #: 7.B (PUBLIC HEARING)

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#### SUBJECT:

Public Hearing to Consider Adoption of the Fiscal Year 2020-2021 Budget, Long Range Financial Plan and Related Actions

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#### BACKGROUND:

State law requires the Commission annually to hold a public hearing before adopting a budget for fiscal year operations (July 1 to June 30) and before adopting a long-range financial plan. The Fiscal Year 2020-2021 Budget is an estimated operating plan for the funds received by First 5 Stanislaus.

#### Fiscal Year 2020-2021 Budget

By law, the Commission has authority for the budget of First 5 Stanislaus. The Stanislaus County Board of Supervisors does not have statutory authority to alter, amend, or approve the Commission's budget. The First 5 Stanislaus budget appears in the Stanislaus County Budget as an informational item, so the Auditor has a legal basis to make First 5 Stanislaus expenditures. As of Fiscal Year 2018-2019, First 5 Stanislaus was classified as a discrete component when included in the Stanislaus County Comprehensive Annual Financial Report (CAFR). Fiscal Year 2020-2021 is the first year of a two-year budget cycle for the County. It is recommended the Commission approve the Fiscal Year 2020-2021 Budget. The Fiscal Year 2021-2022 "placeholder" Spending Plan that is shown as part of the Long Range Financial Model will be submitted to the County for their reference and use as well. It is understood that the Fiscal Year 2021-2022 Spending Plan submitted to the County as a placeholder budget could be modified based on the Commission's approval of their official budget for Fiscal Year 2021-2022.

The Fiscal Year 2020-2021 Budget recommended to the Commission reflects the priorities and strategies of the Commission as finalized through the Strategic Plan for 2019-2024. First 5 staff and partners continue to move forward with initiation, development and integration of the Strategic Plan strategies. Funding in the Fiscal Year 2020-2021 budget would allow continued development of those priorities and supports Commission strategies to:

- Align and secure funding
- Establish a comprehensive parenting program
- Establish a resource/referral hub/network
- Build capacity for individuals/organizations serving young children
- Scale integrated early childhood reading access, strategies and support
- Serve as an advocate/voice for children and families
- Coordinate data alignment and outcome monitoring among organizations serving children
- Facilitate systems improvement to better serve children and families
- Implement administrative and fiscal strategies

It is important to note that the COVID-19 pandemic currently impacting the world is an unprecedented event for most people who are alive. There are tremendous unknowns for Fiscal Year 2020-2021, and beyond, as a result of the impact of this incident. California is moving deeper into a significant fiscal crisis with a projected \$57 billion shortfall in the upcoming Fiscal Year 2020-2021 Budget which will impact millions of people, including local

government and nonprofit organizations. There is significant uncertainty as to the future of Prop 10 revenues. There is increasing community need and needs of First 5 Stanislaus funded partners. There are many lessons learned from the Great Recession; especially that the underserved community, communities of color, those economically disadvantaged, and more, will potentially suffer the greatest. It is imperative that First 5 continue to work closely with its partners to understand and appropriately respond to emerging needs, to align with the priorities of the Commission during this time of crisis, and to take action to preserve the positive impact of First 5 into the future. This will be a significant period of challenge and the organization is prepared to stand strong.

*Highlights* - Some important elements and assumptions of the budget and Long Range Financial Plan include:

- Total budgeted revenues are projected at \$4,272,201, which is an estimated decrease of 8.7% (\$409,451) from the 2019-2020 budget. Staff used the most current State revenue projections, which were as of May 2019. Prop. 10 revenue estimates for 2020-2021 were then reduced by an additional 10% based on State guidance. State fiscal projections show the continued decline of revenue into future years which are reflected in the Long Range Financial Plan. Prop 10 revenue decreases starting in FY 2021-2022 varied from 1.5% - 3% annually based on State projections. Staff has also budgeted revenue associated with the Community Services Agency reimbursement contract for First 5 staff work performed on the Family Resource Center joint contracts.
- Total budgeted expenses are projected at \$4,751,168, which is an estimated decrease of 3.8% (\$188,446) from the 2019-2020 budget. For the 2020-2021 budget, a \$500,000 Contract Adjustments/Contingency account has been established. No funds will be spent from Contract Adjustments/Contingency account without the approval of the Commission. Future Commission spending as presented in the Long Range Financial Plan will continue to reflect the need to minimize use of fund balance while implementing Commission priorities. As revenue declines and staffing remains static, total administrative costs are projected to increase to approximately 10% of total actual costs as a function of these lower expenses. It is recommended that the Commission consider a policy change for the administrative cost cap at a future meeting.
- Staffing levels are projected to remain the same in the 2020-2021 budget at 5 positions (four full-time and one part-time). The scope and function of staff positions will be evaluated during Fiscal Year 2020-2021 for appropriateness in supporting operations and the new Strategic Plan of the Commission. The Long Range Financial Plan reflects a projected addition of one position in Fiscal Year 2021-2022 which would support the ongoing implementation of the Strategic Plan priorities. The responsibilities of this position will be refined and presented to the Commission for consideration at a future date. If needed, this recommended position could be brought to the Commission at an earlier time.
- Total Fiscal Year 2020-2021 service provider contracts are budgeted at \$2,982,107, which is a decrease of 8.6% (\$282,148) from the 2019-2020 budget. These 11 provider contracts for Fiscal Year 2020-2021, if approved by the Commission, will continue with continuity of existing services funded by the Commission.
- There will be changes to the Healthy Birth Outcomes (HBO) program reflected in the Fiscal Year 2020-2021 Budget. First 5 Stanislaus has funded the Healthy Birth Outcomes (HBO) program operated by the Health Services Agency (HSA) for more than 15 years. The program provides free services for high risk pregnant women using public health nurses. The program also provides free support groups for women who are not high risk, through subcontracts with Family Resource Centers (FRCs). HSA staff has indicated that operational changes are needed for Fiscal Year 2020-2021 and it would also be the final year for the HBO program. HSA is moving forward with transitioning high risk clients out of the HBO program into other existing Public Health programs as part of this change. The high risk public health nursing component will not be part of the Fiscal Year 2020-2021 budget. Support groups will continue to operate through HBO for Fiscal Year 2020-2021 at subcontracted FRCs, but with a planned decline in enrollment until the program is discontinued as the end of the fiscal year. Funding of \$717,852 is in the Fiscal Year



### **Long Range Financial Plan**

The Long Range Financial Plan is submitted annually to the State and is an important planning document and fiscal tool for the Commission.

Some important elements and assumptions of the Long Range Financial Plan for consideration include:

- The Plan is a working document and is to guide long-range planning. The plan is subject to change upon approval of the Commission using updated projections.
- The May 2019 State Department of Finance/First 5 California revenue projections for Stanislaus County have been used in the Long Range Financial Plan for the years they were available (2019-2020 through 2023-2024). First 5 Stanislaus assumptions were used for 2024-2025 and 2025-2026.
- The Plan continues to highlight long-term projected revenue declines.
- The Plan assumes contractors will spend 100% of their allocations in 2020-2021.
- The Plan reflects a minimum reserve of at least six months of budgeted revenue per Commission policy.
- The Plan reflects a minimal use of fund balance for budget balancing and reflects a stable fund balance into future years based on current plan assumptions.

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#### **STAFF RECOMMENDATIONS:**

1. Accept the Fiscal Year 2020-2021 Budget from the Executive Director.
2. Conduct a Public Hearing to receive public comment and input on the proposed Long Range Financial Plan.
3. Direct and approve any changes the Commissioners choose to make to the Fiscal Year 2020-2021 Budget and adopt the Fiscal Year 2020-2021 budget.
4. Authorize the Executive Director to make necessary technical adjustments to implement the approved Fiscal Year 2020-2021 Budget including negotiating and executing agreements with service providers.
5. Authorize staff to work with contractors to develop budgets up to the contract amounts specified on the contract schedule.
6. Authorize staff to submit the proposed budget for appropriate inclusion in County budget and financial documents.
7. Authorize the Executive Director to negotiate and sign an agreement not to exceed \$5,000 with Matrix Outcomes Model for Family Development Matrix services and training.
8. Adopt the financial projections for fiscal years 2021-2022 through 2025-2026 as the Commission's Long Range Financial Plan.
9. Authorize the Executive Director to negotiate and sign an agreement not to exceed \$36,000 with the Community Services Agency for reimbursement of First 5 staff time associated with providing services for the joint Community Services Agency/First 5 Stanislaus contracts with Family Resource Centers.

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#### **FISCAL IMPACT:**

The Fiscal Year 2020-2021 Budget contains projected expenses of \$4,751,168 with projected revenues of \$4,272,201 and a \$478,967 projected use of fund balance. The projected 2020-2021 year-end fund balance is approximately \$6.9 million. Agreements and/or addendums between First 5 Stanislaus and program operators will be executed before funds are disbursed to program operators.

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#### **COMMISSION ACTION:**

On motion of Commissioner \_\_\_\_\_; Seconded by Commissioner \_\_\_\_\_

and approved by the following vote:

Ayes: Commissioner(s): \_\_\_\_\_

Noes: Commissioner(s): \_\_\_\_\_

Excused or Absent Commissioner(s): \_\_\_\_\_

Abstaining: Commissioner(s): \_\_\_\_\_

1) \_\_\_\_\_ Approved as recommended.

2) \_\_\_\_\_ Denied.

3) \_\_\_\_\_ Approved as amended.

Motion: \_\_\_\_\_

Attest: \_\_\_\_\_

Veronika Carrasco - Confidential Assistant IV

