



To: First 5 Alameda County Commission

From: Patricia Zapanta, Acting Director, Finance & Administration

Date: May 19, 2009

Subject: 2009-11 Budget Proposal – Final Adoption

REQUESTED ACTION

To review and adopt the 2009-11 budget recommendation

BACKGROUND

Each First 5 agency is required by statute to pass a Strategic Plan that outlines the use of the tobacco tax funds to serve children age 0-5 and their families. First 5 Alameda County has been engaged in the development of the 2009-13 Strategic Plan since June 2008 and the process has included program and needs assessments and community and stakeholder input. The 2009-11 budget proposal includes the strategies and programs outlined in the Strategic Plan.

On March 26th, the First 5 Alameda County Commission approved the 2009-13 Strategic Plan. As we have done in the past, this budget proposal is for two years covering FY 2009-11. The second year budget will be amended in May 2010 to reflect changes in revenue and expenses for FY 2010-11.

This budget includes contract authorizations for the 2009-10 and 2009-11 contracts. Attached is a spreadsheet of contracts in excess of \$25,000 for which Commission approval is needed.

This document provides a summary of revenue projections with rationales. In addition, the document will provide each program's total expenses. The total program costs include:

- First 5 staff salaries and benefits
- Grants, contracts, and stipends
- Training expenses
- Space rental

Allocable costs (administrative overhead) were accumulated in the Administration cost center in the first reading of the budget. These costs have now been allocated to programs to reflect the “fully loaded cost” of each program. The expense spreadsheet provides the expense projections by division.

The expenses are presented by the program divisions within the agency. The table in the budget narrative shows:

- the program name,
- the 2008-09 budget (adopted by the Commission on February 26, 2009),
- the 2009-10 budget projection,
- funding sources for the program and
- the Strategy area in which the program resides in the 2009-13 Strategic Plan.

SUMMARY

The Revenue and Available Funding projection for 2009-10 is \$26,449,294 and the Expenses projection is \$26,449,294. Pursuant to statute, First 5 costs must be segregated into Program, Evaluation and Administrative costs. The total level of Program, Evaluation and Administration spending is consistent with the 2009-13 Strategic Plan Funding Allocation proposal and is as follows:

Program	\$23,379,479
Evaluation	1,340,836
<u>Administration</u>	<u>1,728,979</u>
Total	\$26,449,294

The budget has been balanced, per Commission authorization, with funds from the Sustainability Fund in the amount of \$7,331,729.

REVENUE AND AVAILABLE FUNDS – 2009-10

The 2009-10 Revenue and Available funds decrease from \$28,037,554 in the current year to \$26,449,294.

As discussed at the March Commission meeting, it was necessary to incorporate a decreased tobacco tax allocation projection based on the passage of the federal tobacco tax which will fund the State Children’s Health Insurance Program (SCHIP). Estimates received from First 5 California and the State Legislative Analysts’ Office put the statewide projected decrease due to SCHIP at 8.16%. In addition, local First 5 agencies across the state recognize the effect of a sluggish economy on tobacco sales may lead to declines on top of SCHIP.

Based on our trend data, we are projecting a 10.5% decline, incorporating 8.16% for SCHIP and 2.34% for the decline based on the economy. Alameda County birthrate

projections are expected to be stable, and therefore will not be a significant factor in increasing or decreasing the tobacco tax allocation.

Line Item	2008-09 Approved	2009-10 Proposed	Rationale
Tobacco tax	\$15,772,394	\$14,222,218	Tobacco tax decreases based effect of SCHIP federal tax and a sluggish economy. See notes above.
Income from Alameda County	\$1,301,841	\$1,159,993	Includes \$986,320 from AB212 through the Alameda County Child Care Planning Council and \$173,673 from Behavioral Health Care Services for the SART Pathways referral system
Grants	\$2,033,307	\$2,260,354	Includes the final year of the state School Readiness grant (\$1,634,354), the federal earmark for SART (\$476,000) and the balance of the federal earmark for Early Care and Education (\$150,000)
Fiscal Leveraging	\$545,000	\$350,000	Includes Medi-Cal Administrative Activities (MAA). The reduction is due to the change in revenue sharing of Targeted Case Management (TCM) funds. In 2009-10, TCM funds will be forwarded directly to Special Start to maintain services.
Investments	\$1,637,500	\$1,125,000	Based on assessment of current invested assets, and decreasing return on investments due to lower rates available and a decrease in the total Sustainability Fund based on usage in 2008-09 and projected usage in 2009-10.
Other Sources	\$120,469	o	Contract with First 5 Contra Costa to provide Hospital Outreach services at Alta Bates is not yet confirmed and will be added at a later time if confirmed
Sustainability Fund	\$6,592,043	\$7,331,729	This amount is consistent with the Long Range Financial Plan approved on March 2008 which allows up to \$8.7 million in Sustainability Funds to maintain programs
Restricted Carryover	\$35,000	o	Restricted 2006-07 grant from Washington Mutual for the Quality Improvement Initiative was expended in the current year. No restricted carryover is anticipated.
Total	\$28,037,554	\$26,449,294	Difference of (\$1,588,260)

EXPENSES

Consistent with new legislative requirements brought about by AB 109, expense costs continue to be separated into three cost categories: Program, Evaluation and Administration. The expenses in each category are consistent with First 5 California guidelines, and those set forth in the Government Finance Officers First 5 Financial Management Guide.

Salaries and Benefits

Salaries and benefits are projected to increase from \$7,303,757 to \$7,327,435, an increase of \$23,678. There was an increase in the cost of benefits based on the increased ACERA rate; however, the increase was partially offset by the reduction of two positions, one in Early Care and Education and one in Support Strategies/School Readiness, from full time to part time. Both positions are currently unfilled.

Salaries are budgeted based on actual amounts. Benefits have been budgeted at 50% of salaries. Consistent with direction from the Commission, the approved benefit package is in line with the Alameda County benefit package, including membership in the Alameda County Employee’s Retirement Association (ACERA), health and dental benefits, life insurance, a flexible benefit of \$1,500 to offset health, life insurance or flexible spending account costs, and a taxable technology and professional development benefit of \$800. The 50% allocation is based on actual cost estimates that are revised periodically as needed. (Please see ACERA Update of May 22, 2009.) There is indication that ACERA retirement employer rates will increase in the future.

Personnel in the Program divisions provide programmatic oversight, training and technical assistance in best practices to all program providers, including child care and community-based service contractors and grantees. Approximately \$1,700,000 in salaries and benefits costs fund service delivery personnel who provide services directly to families.

Family Support Services

The total Family Support Services (FSS) budget proposal for 2009-10 is 8,898,386, compared to \$9,883,537 in the current year, a net decrease of \$985,151, based on changes in the Strategic Plan.

Program	2008-09 Approved	2009-10 Proposed	Funding Sources	Strategy
Prenatal and postpartum home visiting for newborns: Your Family Counts This program also includes Lactation Services This also includes Alameda New Parent Support (\$152,250) and City of Berkeley Home Visiting for 2008-09 (200,000)	2,260,566	\$2,023,423	Tobacco Tax, Targeted Case Management (TCM), Medi-Cal Administrative Activities (MAA), School Readiness	Home-Based Family Support Lactation Services are in the Child Health Promotion strategy

Intensive Family Support: Pregnant and Parenting Teens	\$1,312,220	\$1,234,832	Tobacco Tax, Targeted Case Management (TCM)	Home-Based Family Support
Intensive Family Support: Another Road to Safety	\$403,992	0	Now being implemented by Social Services Agency through the Title IV-E waiver	
Intensive Family Support: Special Start: high risk families with infants discharged from the Neonatal Intensive Care Unit (NICU)	\$3,393,417	\$3,218,247	Tobacco Tax, Targeted Case Management (TCM), Medi-Cal Administrative Activities (MAA)	Home-Based Family Support
SART Training and Screening: Pediatric Strategies (Healthy Steps/ABCD) Includes Reach Out and Read (\$30,000)	\$984,580	\$1,096,907	Tobacco Tax, State School Readiness Grant	Coordinated Children’s SART (Screening, Assessment, Referral & Treatment) Reach Out and Read is in the Community Based School Readiness strategy
Early Childhood Mental Health /Community Building Efforts * Includes Mental Health Consultation to Child Care * Includes Early Childhood Mental Health Harris Training	\$557,972	\$479,183	Tobacco Tax	Mental Health Consultation is in the Child Health Promotion strategy Harris Training is in the Provider Capacity Building strategy
Specialty Provider Services – Mental Health / Child Development	\$801,153	\$750,688	Tobacco Tax, State School Readiness Grant, Medi-Cal Administrative Activities (MAA),	Provider Capacity Building
Family Support Services Provider Training	\$112,276	\$95,106	Tobacco Tax	Training is in Training Institute in the Provider

				Capacity Building strategy
Total Family Support Services	\$9,883,537	\$8,898,386		

Early Care and Education

The Early Care and Education (ECE) budget proposal for 2009-10 is \$6,899,660, compared with \$7,406,354, a decrease of \$506,694.

It is important to note the realignment of the programs in the Early Care and Education division. The realignment is a result of modifications to program relationships that promote greater integration that will result in improved child care quality. As a practical matter, programs are intact with few reductions in funding.

Program	2008-09 Approved	2009-10 Proposed	Funding Sources	Strategy
Child Development Corps (This program is now under College University Education for ECE Providers.)	\$2,607,105	0	Tobacco Tax	
Professional Development Systems Program	\$2,855,364	0	Tobacco Tax, State School Readiness Grant	
Quality Enhancement Programs	\$976,804	0	Tobacco Tax, State School Readiness, Washington Mutual Grant	
Quality Enhancement Grants	\$967,081	0	Tobacco Tax, State School Readiness Grant, Washington Mutual Grant	
College/University Education for ECE Providers *Child Development Corps AA Program * BA, MA, EDD	0	\$3,965,301	Tobacco Tax, federal earmark, AB 212	Integrated Child Care Quality Support System
Training for consultants (includes coaches, mentors, TA providers from multiple disciplines)	0	\$189,898	Tobacco tax	Integrated Child Care Quality Support System

Community-based training and coordination	0	\$949,212	Tobacco tax	Integrated Child Care Quality Support System
Inclusion support and training	0	\$234,214	Tobacco tax	Integrated Child Care Quality Support System
Child Care Capital Grants Emergency Facility Grant Start-up Facility Grant Improvement and Expansion Facility Grant State contractor repayable loan (emergency operating expense)	0	\$881,461	Tobacco tax	Integrated Child Care Quality Support System
Quality Counts: Quality Assessment and Customized Support for ECE Programs	0	\$679,575	Tobacco tax	Integrated Child Care Quality Support System
Total Early Care and Education	\$7,406,354	\$6,899,660		

Community Grants

The Community Grants budget proposal for 2009-10 is \$3,478,689, compared to \$3,608,438 in the current year, a decrease of \$129,749. The decrease is consistent with the reduction in the 2009-13 Strategic Plan. The Community Grants Initiative will complete a the 2007-09 grant cycle in the first six months of 2009-10, and will begin a new cycle in the second six months of 2009-10. The application process will occur in the summer and fall of 2009, with 2009-11 awards being announced in November 2009.

There has been an increase of \$261,222 to the Community Grants program area to cover the final payment of the 2007-09 grants. This funding is not part of the 2009-13 Funding allocation, as it was approved during the 2005-09 Strategic Plan.

Program	2008-09 Approved	2009-10 Proposal	Funding Sources	Strategy
Community Grants	\$3,608,438	\$3,478,689	Tobacco tax, State School Readiness grant	Programs will be funded in various strategy areas, depending on funding priorities selected by the Commission
Community Grants	\$3,608,438	\$3,478,689		

Support Strategies

The Support Strategies budget proposal for 2009-10 is \$4,102,744, compared with \$3,828,907, an increase of \$273,837.

The SART (Screening, Assessment, Referral and Treatment) program costs have increased above the Strategic Plan Funding allocation due to the confirmation of a \$476,000 federal earmark. Consistent with the Finance Policies, restricted funds such as federal grants, are spent prior to tobacco tax general funds. The federal grant will allow for expansion in the following current SART program areas:

- Screening in pediatric practices
- Assessment Matching Fund
- Family Navigation activities
- Enhancements to the Pathways data system

Several new activities related to SART are being proposed, based on the confirmation of the federal grant. Those activities include strategies to increase access to the Ages and Stages Questionnaire (ASQ) for non-literate families, including online service fees for an audio-video version of the ASQ, funding for outreach and educational materials and translation into multiple languages.

Program	2008-09 Approved	2009-10 Proposal	Funding Sources	Strategy
Cultural Access Services	\$346,947	\$354,728	Tobacco Tax, State School Readiness Grant, Medi-Cal Administrative Activities (MAA)	Cultural Access Services is a program that works across all strategies
Parent Advisory Committee	\$15,464	0		
Children’s SART (Screening, Assessment, Referral and Treatment) (formerly called Special Needs Strategies) Includes SART Coordination, ECE and Social Services Provider training, Assessment Matching Fund, Family Navigation and City/County Matching Funds	\$573,376	\$1,489,179	Tobacco Tax, Medi-Cal Administrative Activities (MAA), Behavioral Health Care Services funding for Pathways data system, Federal grant	Integrated SART
Training/ Conference Center	\$372,473	\$451,798	Tobacco Tax, Rental Income	Provider Capacity Building
Outreach and Education	\$97,784	\$240,839	Tobacco Tax	Community-Based

Includes Parent Kit customization and distribution, and faith-based school readiness outreach (2009-10 includes Childhood Matters)				School Readiness Services
Tobacco and Health Education/ Services (2008-09 included insurance coverage, including MRMIB) Includes Asthma Education and Services, Oral Health Education and Tobacco Education	\$1,044,426	\$361,849	Tobacco Tax, State School Readiness Grant	Child Health Promotion Childhood Matters is in the Community-Based School Readiness Services strategy
School Readiness Includes Literacy, Kindergarten Readiness and Transition (School District Transition Coordination and Summer Pre-Kindergarten)	\$1,186,740	\$1,002,870	Tobacco Tax, State School Readiness Grant	Community-Based School Readiness Services
Child Development/ Mental Health Strategies	\$191,696	\$201,482	Tobacco Tax	Mental Health Consultation to Child Care
Total Support Strategies	\$3,828,906	\$4,102,744		

Evaluation and Technology

The Evaluation and Technology (E&T) budget proposal for 2009-10 is \$1,340,836, compared to the current year budget of \$1,396,300, a decrease of \$55,464.

Program	2008-09 Approved	2009-10 Proposal	Funding Sources	Notes
Evaluation	\$581,712	\$598,325	Tobacco Tax, State School Readiness Grant	Includes internal and external evaluation activities, including annual report compilation, and ECE external evaluations (School Readiness)
Evaluation – Database	\$613,166	\$537,780	Tobacco Tax, State School Readiness Grant	Includes ECC Online and ECChange databases, only portions used for internal evaluation. Program costs for ECChange are charged to program budgets.

Evaluation – Technical Assistance	\$201,422	\$204,731	Tobacco Tax	Includes provision of evaluation technical assistance to providers
Total	\$1,396,300	\$1,340,836		

Administration

The Administration budget proposal for 2009-10 is \$1,728,979, compared with \$1,914,019 in 2008-09, a decrease of \$185,040. The Administration budget decreased from the May budget proposal because general overhead costs have been allocated to Programs and Evaluation.

Program	2008-09 Budget	2009-10 Proposal	Funding Sources	Comments
Administration, Human Resources, Finance, Network Support, Commission and Strategic Planning	\$1,914,019	\$1,728,979	Tobacco Tax	Administration costs reflect expenses after allocation of General Expenses
Total Administration	\$1,914,019	\$1,728,979		

Administrative Cap

As part of the agency Finance Policy and consistent with AB 109 and SB 35, First 5 Alameda County has set an administrative cost cap of 10%. Costs are segregated through the year into the Program, Evaluation and Administrative divisions according to guidelines and definitions set forth by First 5 California and in the Government Finance Officers Association (GFOA) First 5 Financial Management Guide. The proposed budget’s administrative costs do not exceed the cap. They are:

2009-10	
88%	Program
5%	Evaluation
7%	Administration
100%	Total

RECONCILIATION OF THE FUNDING ALLOCATION (BY STRATEGY) TO THE BUDGET PRESENTATION

The Commission has approved Strategies (October 2008), Programs (December 2008) and the Funding Allocation presented in January 2009. In preparing the 2009-10 budget proposal, staff were directed to propose program funding levels in alignment with the Strategic Plan Funding Allocation. The budget proposal involved much more detailed development of expenditure budgets. In most areas, the Funding Allocation and the budget proposal are in close alignment. Where they are not in alignment, it is due to the receipt of additional outside revenue for specific activities.

Fiscal Impact

The fiscal impact is \$26,449,294 in expenses that will be funded by revenue and available funding of \$26,449,294. Sustainability funds are projected to cover \$7,331,729 of the expenses in 2009-10.

The Long Range Financial Plan will be revised in June 2009 and will show an accelerated use of the Sustainability Funds to cover the decreased revenue.

It is important to note that funding for the Reduction in Workforce designated reserve funding is reported in the Long Range Financial Plan, which will also be presented in June 2009.

RECOMMENDED ACTION

To review and give feedback on the presentation and content of the 2009-10 Budget Proposal, in preparation for presentation to the Commission on May 28, 2009

Submitted by:

Reviewed by:

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Mark Friedman, Chief Executive Officer