



TO: First 5 Alameda County Executive Committee

FR: Patricia Zapanta, Finance and Administration Director

DT: September 18, 2009

RE: 2008-09 Year-End Financial Report

REQUESTED ACTION

To review the Financial Report for the fiscal year 2008-09 and give feedback regarding any clarifications in preparation for presentation to the Commission on September 24th

BACKGROUND

The attached spreadsheets show revenue for the entire agency and the expenses by division.

The audited financial statements for Fiscal Year 2008-09 will be presented to the Commission at their regular meeting on September 24th, and will be submitted to the State Commission and the State Controller's Office in accordance with legislative requirements. The audit received an unqualified opinion; there were no audit issues and no material findings.

FY 2008-09 is the second year of a two-year, 2007-09 budget. The 2008-09 budget was initially adopted in May 2008 and was modified and approved in February 2009. It is the fourth and last completed year of the 2005-09 Strategic Plan. The following is an analysis of 2008-09 revenue and expenses.

SUMMARY

Revenue for 2008-09 was \$21,387,444, which was very close compared to the budget projections. Expenses were \$24,890,078, 11.2% under the budget projections. Expenses exceeded revenue by \$3,502,634. It was anticipated that approximately \$6,600,000 would be needed from the Sustainability Fund to cover expenses in this fiscal year. However, most of these funds were not needed due to a combination of additional revenue and budgetary savings.

REVENUE

Revenue was projected at \$21,410,511. Actual revenue received was \$21,387,444, a difference of \$23,067, and .10% lower than the projection. The following provides detail of each revenue line.

Tobacco tax – Tobacco tax was budgeted at \$15,772,394. The projection was reduced to reflect the 2008-09 actual trend based on the first six months of revenue received. The actual receipt of revenue was \$15,938,842, which is 1.1% above the budget projection.

The decline from the prior year's actual revenue was 5.9%. The attached revenue chart shows the history of the Tobacco tax disbursement to the counties, and to Alameda County. Since 2001-02, there has been neither increase nor decline in the State disbursements to counties (0% average), and since 2001-02, there has been a 3.0% average decline in the disbursements to Alameda County.

Tobacco taxes are allocated to counties proportional to the number of births in each county. In addition to the Alameda County birth rate, Tobacco tax allocations are affected by a variety of factors including statewide tobacco sales, tax collection methods, and the birth rate changes in the other counties. Since the birth rate in Alameda County has been relatively stable over the last five years, the decline can be attributed to the other factors, most notably the growth in the birth rate of other counties.

(The Alameda County birth rate has varied somewhat from year to year, the highest being 21,990 and the lowest being 20,668, but the average from 2001-2007 is 21,306 births per year.)

Income from Alameda County agencies – Interagency income was budgeted at \$1,301,841, and \$1,137,178 was received, a difference of \$164,663, or 12.6% less than the projection. The primary source of revenue in this category is AB 212 funds from the Alameda County Child Care Planning Council for Child Development Corps stipends for school-age providers, budgeted and received at \$927,141.

The other revenue in this category is \$74,700 from the Alameda County Public Health Department for their share of ECChange maintenance costs and \$300,000 from Alameda County Behavioral Health Care Services for their share of the SART Pathways database development costs of which \$128,137 has been received.

Grants – Revenue from Grants was projected at \$2,033,307 and \$2,067,123 was received, a difference of \$33,816, or 1.7% above the projection.

- The First 5 California School Readiness grant was projected at \$1,537,045 and this amount has been received. This includes implementation funds of \$100,000.

- The First 5 California Health Care for All grant for health insurance for children was projected at \$10,000 and no funds have been received. It is anticipated that we will receive the funds in 2009-10.
- The First 5 California Comprehensive Approaches to Raising Educational Standards (CARES) grant was projected at \$222,944 and \$388,314 was received.

Fiscal Leveraging – Fiscal Leveraging was budgeted at \$545,000, and actual revenue received was \$225,000, a difference of \$320,000, or 58.7% below budget projections.

It is our practice to budget leveraged funds conservatively, due to the uncertain nature of the funding streams associated with the federal Medicare system, and because we are shifting leveraging activities to our partner agencies, consistent with sustainability efforts and systems change.

Actual revenue for Targeted Case Management (TCM) is \$225,000 after sharing revenue with a community partner per fiscal leveraging agreement. Almost \$400,000 in Medi-Cal Administrative Activities (MAA) invoices were submitted to the State DHCS (Department of Health Care Services) in March 2009 as required annually. No funds have been received to date.

Investment Revenue – Investment revenue was budgeted at \$1,637,500 and \$1,907,316 was received, a difference of \$269,816, or 16.5% over the budget projection. Investment revenue was budgeted conservatively due to the volatility of the markets, which still may affect future earnings.

Miscellaneous income of \$15,411 includes repayment by contractors for unspent funds, reimbursement of prepaid deposits, income from conference center rental, and minor refunds from vendors.

Available Funds are those funds recognized in prior years but unspent in the prior year and may be used in the current year for current year expenses.

Sustainability Funds - We anticipated using \$6,592,043 from the Sustainability Fund, in accordance with our Long Range Financial Plan projections. Only \$3,502,634 of that allocation was needed, due to revenue being over projections and expenses being under spent. It is important to note that this is the second year that funds budgeted from the Sustainability Fund have actually been needed and used. In 2007-08, \$177,563 was drawn from the Sustainability Fund.

Restricted Carryover - The Washington Mutual grant is unspent in full and will carry over to 2008-09. These funds were tied to a community event that was to be organized by the Tri-Valley Community Foundation. The Foundation did not organize the event and so the funds were not disbursed. First 5 is exploring new uses for the funding and expects that it will be disbursed in 2009-10.

EXPENSES

Total expenses were budgeted at \$28,037,554, and actual expenses were \$24,890,078 a difference of \$3,147,476, or 11.2% under the budget projections. There are several factors to explain the difference in projections versus actual expenses.

Personnel – Personnel Salary and Benefits were budgeted at \$7,303,756 and actual expenses are \$6,615,797, a difference of \$687,959, or 9.4% below projections. This is primarily due to vacancies in several divisions, most notably Early Care and Education, Support Services and Administration.

Program Contracts and Grants – This line item was budgeted at \$18,578,777, and actual expenses were \$16,819,368, a difference of \$1,759,409, or 9.5% below projections. The variance between the budget and the actual expenses are due to:

- Family Support Services – The contracts line item was over spent by \$35,000 due to some expenses erroneously charged to contracts and unanticipated additional ECChange projects charged as well.
- Early Care and Education (ECE) contracts line item was under spent due to 1) staff turnover/vacancies at the community colleges, resulting in lower invoices for services, 2) lower than anticipated Corps members eligible to receive NAEYC memberships, e) lower than projected foreign transcripts needing evaluation, and 4) fewer than projected mentor placements resulting in fewer stipends to providers. The ECE Professional Services Contracts were under spent by \$100,000 due to 1) not implementing the Quality Enhancement Program (QEP) seminars and the QEP Program Transition Consulting, and 2) the discontinuation of funding for Quality Improvement Initiative (QII) program insurance.
- Community Grants – The difference of almost \$400,000 in the grants line item is the actual amount awarded to grantees. The budget was never revised to reflect actual awards approved by the Commission and paid to grantees.
- Support Strategies – The savings of \$650,000 in this division is a result of
 - Alameda Alliance contract was cancelled last fall due to the closure of the Alliance Healthy Kids Program. The original budgeted amount for the Alliance was \$184,975 of which approximately \$100,000 was unspent.
 - the MRMIB (Managed Risk Medical Insurance Board) invoice was \$100,000 less than the budgeted amount from the state
 - School Readiness staff utilized anticipated under spent contract funds to purchase backpacks for the school district programs which accounts for the over spent funds in Training Supplies
 - approximately \$170,000 of unspent funds for the SART Pathways database system

General Expenses – General expenses include agency overhead costs. The short term gain or loss for 2008-09 is reflected in the General Expenses area. The gain of \$419,651 in our Investment portfolio is posted as a credit or reduction to expenses. This gain is more fully explained in the Investment report, but mainly the earnings is from the combination of the fair market valuation and the disposal of assets from our investment portfolio for the year ended June 30, 2009.

FISCAL IMPACT

Revenue for 2008-09 was \$21,387,444. Expenses were \$24,890,078. Expenses exceeded revenue by \$3,502,635. It was anticipated that approximately \$6,600,000 would be needed from the Sustainability Fund to cover expenses in this fiscal year. However, 47% of these funds were not needed due to a combination of additional revenue and budgetary savings.

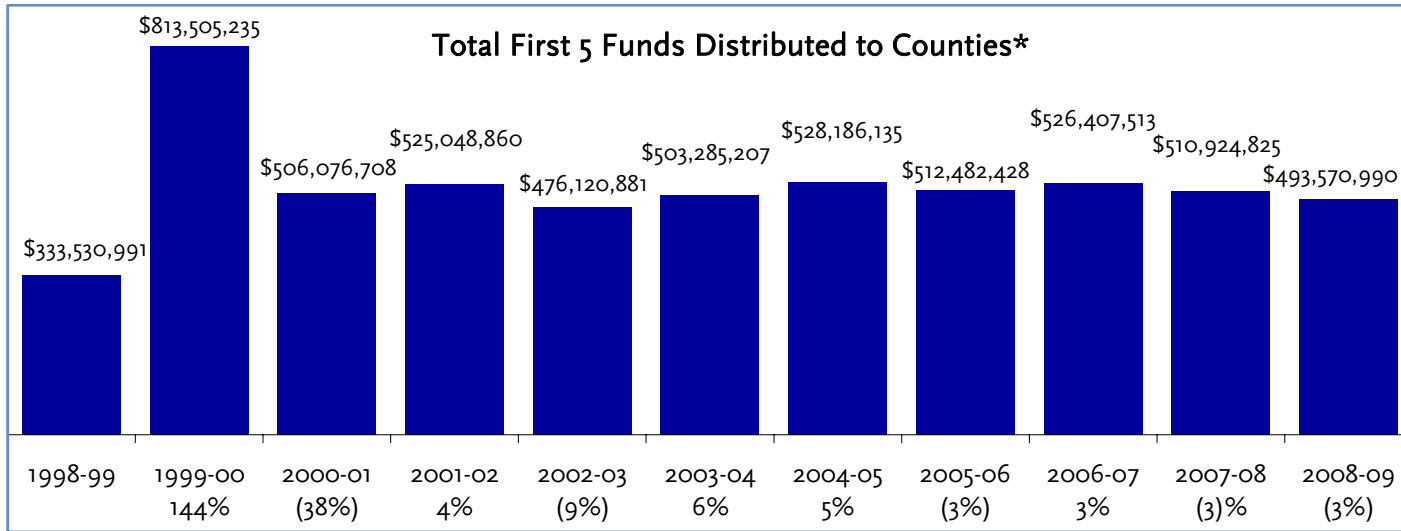
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FIRST 5 TOBACCO FUNDS 1999-2009



* including grants
Source: State Website

