Agenda

- Long Term Financial Projection (LTFP) Overview and Purpose
- Assumptions
- Highlights
- Summary
Goal of the LTFP: To aid in the Commission’s financial stewardship role by providing a framework that shows the long-term implications of funding decisions.

LTFP is a multi-year forecast—not a spending plan—that includes: revenue, Fund Balance, program commitments and expenditure projections, and operating expenses.

Forecast period of FY 2014 - 2018 extends beyond the current Strategic Plan by three years and assumes investments will require **time and resources beyond FY 2014-15** to achieve the Plan’s goals.
Assumptions

- Fidelity to allocations and other funding decisions made by the Commission.

- Allocations currently scheduled to expire are not extended.

- Commission will continue to appropriate funds annually for programs associated with the current Strategic Plan that adhere to a zero-based budgeting platform.

- Operating expenses increase 2% annually through FY 2015-16 with level funding thereafter; assume compliance with the Commission’s annual administrative limit of 5%.
**Highlights: Revenue & Expenditures**

**Revenue:** According to the State Department of Finance, Prop 10 tax revenue is projected to decline over the next four years by approximately 11% from $90.0 million (FY 2013-14) to $80.1 million (FY 2017-18).

**Expenditures:**

- Annual spending began to exceed revenue in FY 2008-09.

- By FY 2012-13, expenditures increased to $200.1 million—more than double the total annual revenue of $93.9 million.

- In FY 2013-14, spending is estimated to grow to $242.3 million and remain above $220 million annually through FY 2015-16, further reducing Fund Balance.
Revenue vs. Expenditures: FY 2001-02 through FY 2014-15

* Assumes programs scheduled to expire are not extended.
Revenue vs. Expenditures:
FY 2001-02 through FY 2017-18

* Assumes programs scheduled to expire are not extended.
Note: The sharp decline in projected expenditures from FY 2015-16 to FY 16-17 is primarily due to LAUP, which is scheduled to end June 2016.
Detailed Projected Expenditure vs. Revenue

* Assumes programs scheduled to expire are not extended.
Fund Balance Category Definitions

**Nonspendable:** Funds that have been advanced to a contractor or grantee for services to be provided in the future and are considered to be an asset of First 5 LA.

**Committed:** Funds appropriated for a specified purpose and directed by the Commission via Resolution. Commission must adopt another Resolution to reappropriate these funds for other purposes.

**Assigned:** Funds are reserved for Commission use consistent with the 2009-15 Strategic Plan (may be referred to as Uncommitted Fund Balance).

**Unassigned:** Funds designated for the Operating Budget and Reserve.
Fund Balance: FY 2012-13
Breakdown by GASB 54 Category

Total Fund Balance =
$723,744,969

- Committed $561,003,855
- Assigned $64,902,466
- Unassigned* $70,816,380
- Nonspendable $27,022,268

* Of the $70.8 million in Unassigned, $17.8 million is set aside for the FY 2013-14 Operating Budget and $53.0 million is designated for the Fund Balance Reserve.
Jul 2013 beginning Fund Balance was $723.7 million.

Of the total $723.7 million Fund Balance, $561.0 million, or 78%, is committed to Commission-approved multi-year allocations and the FY 2013-14 appropriation for initiatives that adhere to a zero-based budgeting platform.

Total Fund Balance is projected to decrease by 65% from $723.7 million in July 2013 to $250.1 million by June 2018, assuming programs scheduled to expire are not extended.

Of the $250.1 million, about $16.9 million is estimated to be committed for Commission-approved allocations. Assuming FY 2018-19 is comparable to FY 2017-18, roughly $46.0 million would also be set aside for operating costs and the Reserve, leaving $187.2 million to support other needs.
Fund Balance: Future Outlook Assuming Programs are not Extended

* Assumes programs scheduled to expire are not extended.
** FY 2010-11 fund balance was lower due to an AB 99 liability of $424.39 million which was returned to net assets in FY 2011-12.
*** Note that funds must be available from this balance for FY 2018-19 First 5 LA operations and the Fund Balance Reserve.
Fund Balance: Future Outlook Assuming Programs are Extended

* FY 2010-11 fund balance was lower due to an AB 99 liability of $424.39 million which was returned to net assets in FY 2011-12.
** Note that funds must be available from this balance for FY 2018-19 First 5 LA operations and the Fund Balance Reserve.
Projected Demand on Fund Balance

- **Revenues**
- **Expenditures**
- **Demand on Fund Balance**

* Assumes programs scheduled to expire are not extended.
Short Term: Resources are adequate to cover existing obligations through the course of the current Strategic Plan (June 2015).

Long Term: LTFP shows a stark picture of spending continuing to exceed revenue, putting pressure on the diminishing Fund Balance.

LTFP assumes that programs scheduled to expire are not extended. However, if programs are extended, Fund Balance is projected to be depleted in FY 2018-19.
Conclusion

- Maintaining the current rate of spending is unsustainable in the long run. The Commission will face important and difficult choices to align annual spending with annual revenue.

- Now is the time to begin making critical decisions—sufficient Fund Balance in the near-term exists to transition to a more sustainable spending portfolio.

- The LTFP can help inform Commission decisions with a fiscal impact, ensuring that both existing and new funding commitments are sustainable and aligned with the Strategic Plan and the Building Stronger Families Framework.