



TO: First 5 Alameda County Commission  
FR: Patricia Zapanta, Finance and Administration Director  
DT: September 18, 2009  
RE: 2008-09 Year-End Financial Report

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#### REQUESTED ACTION

To review the Financial Report for the fiscal year 2008-09.

#### 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 24<sup>th</sup>, 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.

Submitted by:

Reviewed by:

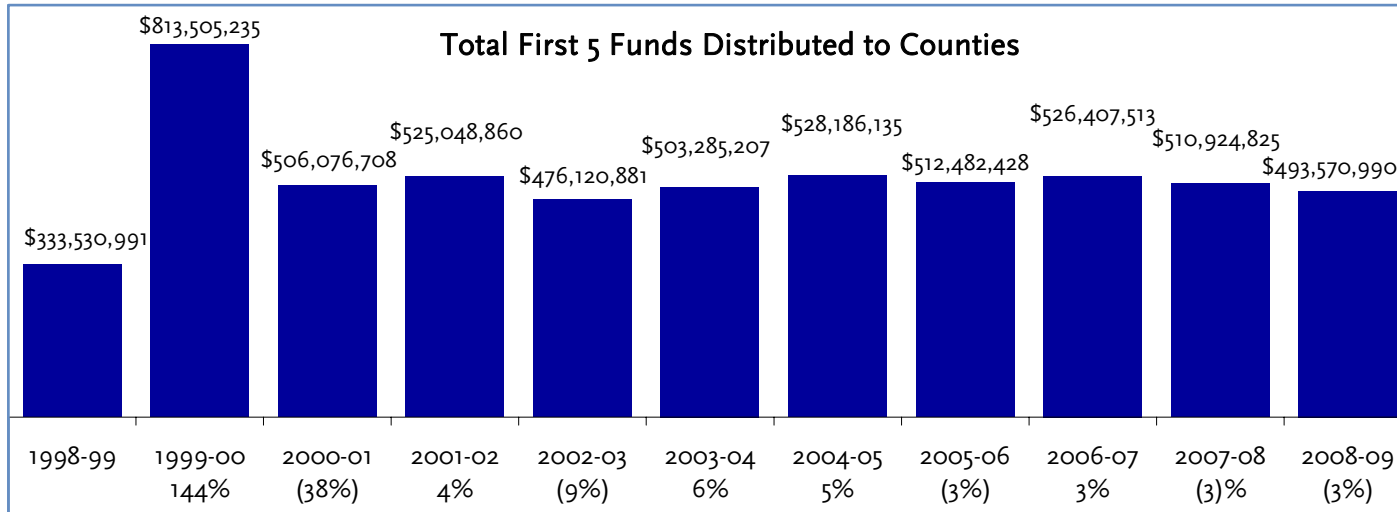
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Patricia Zapanta, Finance and  
Administration Director

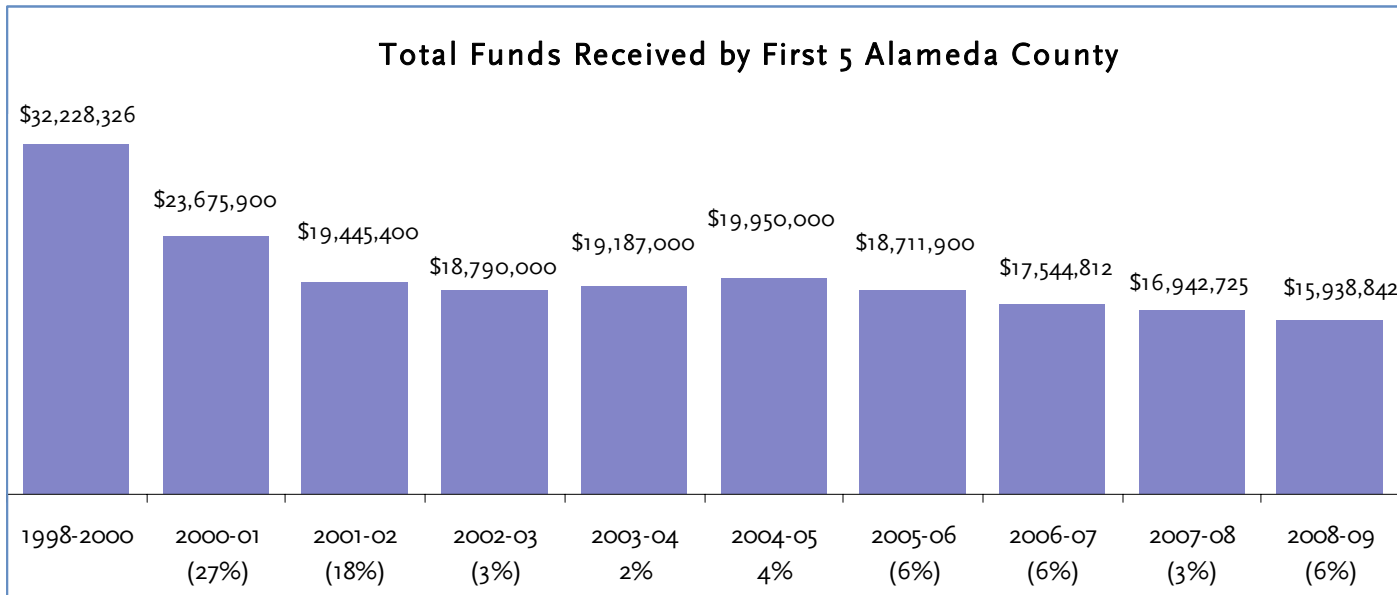
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Mark Friedman  
Chief Executive Officer

**FIRST 5 TOBACCO FUNDS 1999-2009**



\* including grants  
Source: State Website



**First 5 Alameda County  
Revenue and Available Funds  
For the Period July 1 - June 30, 2009**

Revenues	Budget	Actual	Variance	Percentage Received
<b>Prop 10 Tobacco Tax</b>	15,772,394	15,938,842	166,448	101.1%
<b>Income from Alameda Co. Agencies</b>	1,301,841	1,137,178	(164,663)	87.4% <b>A</b>
<b>Grants</b>				
Federal	263,318	141,764	(121,554)	53.8% <b>B</b>
State	1,769,989	1,925,359	155,370	108.8%
	2,033,307	2,067,123	33,816	101.7%
<b>Fiscal Leveraging</b>				
Medi-Cal Administrative Activities (MAA)	320,000	0	(320,000)	0.0% <b>C</b>
Targeted Case Management (TCM)	225,000	225,000	0	100.0%
	545,000	225,000	(320,000)	41.3%
<b>Investment Revenue</b>	1,637,500	1,907,316	269,816	116.5%
<b>Other Sources</b>	120,469	96,574	(23,895)	80.2% <b>D</b>
<b>Miscellaneous Income</b>	0	15,411	15,411	-100.0%
<b>Total Revenues</b>	<b>21,410,511</b>	<b>21,387,444</b>	<b>(23,067)</b>	<b>99.9%</b>

Available Funds				
<b>Sustainability Fund</b>	6,592,043	3,502,634	(3,089,409)	53.1%
<b>Carry Over Restricted Funds</b>				
Washington Mutual	35,000	0	35,000	0.0%
Total Carry Over Restricted Funds	35,000	0	35,000	0.0%
<b>Total Available Funds</b>	<b>6,627,043</b>	<b>3,502,634</b>	<b>(3,054,409)</b>	<b>52.9%</b>

<b>TOTAL REVENUES &amp; AVAILABLE FUNDS</b>	<b>28,037,554</b>	<b>24,890,078</b>	<b>(3,077,476)</b>	<b>88.8%</b>
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**Notes:**

- A - \$164,663 represents the receivable portion from Alameda County BHCS (Behavioral Health Care Services) for SART Pathways database costs. The balance will be collected as development costs become available in 2008-09.
- B - \$121,554 denotes the portion of the Stark Federal appropriation for ECE higher education that is going to be invoiced to the Feds in September 2009.
- C - Almost \$400K in MAA invoices were submitted to the State DHCS (Department of Health Care Services) in March 2009 as required annually. No funds have been received from the State to date.
- D - \$120,469 is the budget for the First 5 Contra Costa Hospital Outreach Coordinator contract but only \$96,574 was actually expended and billed to First 5 Contra Costa.

**First 5 Alameda County  
Budget vs. Actual Expenditures  
For the Period July 1, 2008 - June 30, 2009**

	Family Support Services		Early Care & Education		Community Grants		Support Strategies		Evaluation & Technology		Administration		T o t a l		Variance	Percentage Spent
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual		
<b>Personnel</b>																
Personnel	485,807	468,435	943,891	726,116	352,060	334,790	567,585	505,813	632,051	641,069	994,283	1,013,627	3,975,677	3,689,850	285,827	92.81%
Service Delivery Personnel	1,131,845	1,031,014	0	0	0	0	0	0	0	0	0	0	1,131,845	1,031,014	100,831	91.09%
Benefits	695,590	701,788	405,873	321,067	151,386	98,406	244,061	169,005	271,782	237,590	427,542	367,078	2,196,234	1,894,933	301,301	86.28%
<b>Sub-total Personnel</b>	<b>2,313,242</b>	<b>2,201,237</b>	<b>1,349,764</b>	<b>1,047,183</b>	<b>503,446</b>	<b>433,196</b>	<b>811,646</b>	<b>674,818</b>	<b>903,833</b>	<b>878,659</b>	<b>1,421,824</b>	<b>1,380,705</b>	<b>7,303,756</b>	<b>6,615,797</b>	<b>687,959</b>	<b>90.58%</b>
<b>Program Contracts/Grants/MOUs</b>																
Contracts	6,959,968	6,995,927	4,360,858	4,118,327	125,672	136,307	2,367,300	1,715,644	341,659	268,854	150,166	93,599	14,305,623	13,328,658	976,965	93.17%
Grants	0	0	1,049,500	913,061	2,800,000	2,403,324	0	0	0	0	0	0	3,849,500	3,316,385	533,115	86.15%
Professional Services Contracts	76,754	5,788	163,000	60,496	80,000	62,828	46,900	45,213	50,000	0	7,000	0	423,654	174,326	249,328	41.15%
<b>Sub-total Program Contracts/ Grants/MOUs</b>	<b>7,036,722</b>	<b>7,001,716</b>	<b>5,573,358</b>	<b>5,091,884</b>	<b>3,005,672</b>	<b>2,602,459</b>	<b>2,414,200</b>	<b>1,760,857</b>	<b>391,659</b>	<b>268,854</b>	<b>157,166</b>	<b>93,599</b>	<b>18,578,777</b>	<b>16,819,368</b>	<b>1,759,409</b>	<b>90.53%</b>
<b>Training Expenses</b>																
Copying/Printing	49,000	12,985	33,500	22,259	3,000	0	17,500	21,196	1,500	0	4,500	3,081	109,000	59,521	49,479	54.61%
Equipment Rental	5,000	276	0	570	500	0	1,200	0	400	0	250	0	7,350	846	6,504	11.52%
Food/Hospitality	20,000	23,900	43,650	26,982	7,000	5,410	31,500	23,250	1,500	976	8,500	7,325	112,150	87,842	24,308	78.33%
Honoraria	9,500	14,550	77,000	46,869	1,000	(190)	19,500	13,039	500	0	0	0	107,500	74,267	33,233	69.09%
Postage	14,500	1,154	6,355	10,466	1,000	175	2,850	1,570	2,900	1,226	3,750	1,691	31,355	16,281	15,074	51.92%
Professional Services	28,000	40,028	0	3,338	1,000	742	54,000	41,733	1,500	0	1,000	605	85,500	86,445	(945)	101.11%
Space Rental	2,000	1,659	10,000	712	1,000	10	1,500	685	0	0	1,000	325	15,500	3,391	12,109	21.87%
Supplies	119,500	125,673	96,700	69,274	5,000	12,325	133,600	221,436	12,600	9,701	58,700	3,622	426,100	442,031	(15,931)	103.74%
Travel	36,540	19,907	12,500	8,329	2,000	1,206	9,500	2,683	9,500	4,097	2,500	1,316	72,540	37,537	35,003	51.75%
Staff Development/Training	20,300	12,311	14,000	5,547	3,500	4,265	6,500	4,748	9,000	6,268	13,000	10,744	66,300	43,883	22,417	66.19%
<b>Sub-total Training Expenses</b>	<b>304,340</b>	<b>252,442</b>	<b>293,705</b>	<b>194,345</b>	<b>25,000</b>	<b>23,943</b>	<b>277,650</b>	<b>330,338</b>	<b>39,400</b>	<b>22,268</b>	<b>93,200</b>	<b>28,709</b>	<b>1,033,295</b>	<b>852,045</b>	<b>181,250</b>	<b>82.46%</b>
<b>General Expenses</b>																
Communications	18,423	17,061	11,821	7,228	3,303	3,290	4,429	3,771	2,795	2,454	2,628	1,317	43,399	35,121	8,278	80.93%
Copying/Printing	6,817	507	6,233	341	2,624	164	1,969	162	966	64	1,387	84	19,996	1,322	18,674	6.61%
Equipment Leases/Rentals/Maint.	14,215	13,482	12,998	9,065	5,472	4,356	4,110	4,307	2,016	1,710	2,891	2,260	41,702	35,180	6,522	84.36%
Equipment Purchase	11,931	9,167	10,909	3,713	4,593	1,784	3,449	1,764	1,692	701	2,427	926	35,001	18,055	16,946	51.58%
Insurance	32,384	33,359	29,610	22,429	12,466	10,779	9,360	10,657	4,594	4,232	6,587	5,590	95,001	87,046	7,955	91.63%
Membership and Dues	7,158	6,830	6,545	4,249	2,756	3,842	2,068	2,129	1,015	802	5,456	1,058	24,998	18,910	6,088	75.65%
Postage	1,364	73	1,246	49	525	24	394	23	193	9	1,278	12	5,000	192	4,808	3.84%
Professional Services	44,315	44,386	40,518	54,148	17,059	14,356	12,810	13,810	6,285	5,505	131,013	88,873	252,000	221,078	30,922	87.73%
Space Rental	89,456	89,678	66,749	66,914	24,302	24,362	285,906	286,616	41,402	41,504	83,516	83,725	591,331	592,800	(1,469)	100.25%
Supplies	0	0	0	0	0	2,000	0	83	0	0	0	0	0	2,083	(2,083)	100.00%
Travel	0	66	0	241	0	0	0	0	0	0	4,000	1,650	4,000	1,956	2,044	48.91%
Depreciation	3,170	3,363	2,898	2,261	1,220	1,087	915	1,074	450	427	645	563	9,298	8,775	523	94.38%
Gain or Loss on Disposal	0	0	0	0	0	0	0	0	0	0	0	(419,651)	0	(419,651)	419,651	-100.00%
<b>Sub-total General Expenses</b>	<b>229,233</b>	<b>217,972</b>	<b>189,527</b>	<b>170,638</b>	<b>74,320</b>	<b>66,045</b>	<b>325,410</b>	<b>324,397</b>	<b>61,408</b>	<b>57,409</b>	<b>241,828</b>	<b>(233,592)</b>	<b>1,121,726</b>	<b>602,867</b>	<b>518,859</b>	<b>53.74%</b>
<b>TOTAL</b>	<b>9,883,537</b>	<b>9,673,366</b>	<b>7,406,354</b>	<b>6,504,050</b>	<b>3,608,438</b>	<b>3,125,642</b>	<b>3,828,906</b>	<b>3,090,410</b>	<b>1,396,300</b>	<b>1,227,189</b>	<b>1,914,018</b>	<b>1,269,421</b>	<b>28,037,554</b>	<b>24,890,078</b>	<b>3,147,476</b>	<b>88.77%</b>