FIRST 5 SOLANO
CHILDREN AND FAMILIES COMMISSION

Long Term Financial Plan

2005 – 2015

Prepared in partnership with
Sadlon & Associates, Inc.
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I. Executive Summary

Since it was formed in 1998, First 5 Solano Children and Families Commission has made significant community investment on behalf of Solano's children aged 0-5 and their families. As the Commission moves beyond its initial five-year period of organizational growth and development, it enters an era in which it must make careful and difficult funding decisions (incorporating the reality that, as the desired effect of reducing smoking rates is achieved, the tobacco tax dollars on which First 5 funds are based are decreasing and will continue to decline).

First 5 Solano begins 2004/05 with:

- Financial reserves of approximately $12.7 million;
- An unobligated fund balance of about $5.2 million;
- Anticipated annual Prop 10 revenues of $4.8 million; and
- Budgeted program investment of $6.6 million.

The Commission directed that a long term financial plan be established, based on its recently updated strategic plan, as a framework to support future decisions regarding how to best use all its resources to make a sustained difference for Solano children and families.

The First 5 Solano Long Term Financial Plan establishes annual program investments that:

- Peak with 2004/05 budgeted program investment of $6.6 million;
- Decline by about $1.6 million to about $5 million in 2005/06; and
- Decline by another $1.6 million to $3.4 million in 2006/07, and maintain approximately that level of investment (adjusted to reflect inflation) through 2014/15.

The Long Term Financial Plan provides that:

- The Commission will use current year Prop 10 allocation funds and existing carry-over funds to support program investment through 2009/10 and will begin to use reserves to support program investment in 2010/11;
- Reserves will be depleted in 2016/17; and
- Over the 10 years of the plan, the Commission is expected to receive $41.1 million in Prop 10 revenues and allocate approximately $39.5 million in program investments, funded in part by reserves.

First 5 Solano expenditures over the next ten years will occur through two distinct phases of program investment:

- *Transition period of 2005/06 and 2006/07*
  - Funding for selected continued and new investments, to be defined in the 2005 - 2008 Three Year Program Investment Plan.
  - Designed to incorporate evaluation results, allow choices about creating dedicated programs, and provide opportunities for some new grants.

- *Period of sustained investment from 2007/08 and beyond*
  - Major Grant Programs – at least 70% of annual program investment, for large "Promising Programs" and/or "Dedicated Programs" (see Section V for definition).

- One-Time Grants – not to exceed $500,000 in a year for mini-grants (up to $10,000 each) and 1-to-2 year mid-sized grants (up to $75,000 each) that support highlighted Goals.
- Discretionary Funds – not to exceed $250,000 in a year for unanticipated opportunities that are consistent with the Strategic Plan.

The Long Term Financial Plan (LTFP) is an integral part of First 5 Solano's ongoing planning cycle. On an annual basis, the plan will be updated with actual financial data and assumptions will be reviewed for continued accuracy. Changes to the Commission's LTFP will be driven by changes in strategic direction and/or philosophy as reflected in the Strategic Plan. The policies of this plan will be carried out through Three Year Program Investment Plans and the annual budgeting process.

II. Introduction

The First Years

First 5 Solano Children and Families Commission (then known as the Solano County Children and Families Commission) was created by the Board of Supervisors in 1998 to locally distribute funds generated through a statewide tobacco tax established by the voter initiative referred to as "Prop 10." Since its inception, First 5 Solano has received nearly $29 million in Prop 10 county-level allocations and leveraged additional state-level funds, for a total of nearly $32 million new dollars to support children and families. (See Appendix C: Historic Prop 10 Revenue and Program Investments for more detail.)

The Commission spent its initial 5 years gathering community input, developing, implementing and updating its Strategic Plan, building an organizational infrastructure, and making targeted early investments in services and other activities designed to support the health, growth and development, safety and well-being of young children and their families. Through June 2004 the Commission has invested just over $10 million in programs, and is now poised to distribute an additional $6.6 million in 2004/05.

The Commissioners recognized the unique and powerful opportunity offered by Prop 10 and dedicated themselves to careful planning and program investment. They also recognized that Prop 10 revenues would decline through time, as tobacco taxes had the desired effect of reducing overall smoking rates. Therefore, the Commission created a reserve with some of the earliest allocations, to supplement revenues in later years. In addition, unexpended grant funds remaining in its annual budget were carried over to future years.

The Current Situation

As of June 2004, First 5 Solano holds approximately $12.7 million in reserve and an additional $5.2 million in unobligated general funds. In 2004/05, the Commission anticipates receiving approximately $4.8 million in Prop 10 revenues.

In 2003 the Commission revised its Strategic Plan (approved in January 2004). The updated Strategic Plan recognizes the new stage of the Commission's life cycle. The Commission now has an effective organizational structure, a history of multi-year funding, established relationships with both small and large programs, initial data from program progress reports, a newly-established data collection and evaluation framework, and a strengthening partnership with the community. The Commission has acknowledged the need to consider sustainability of its investments when making any future funding decisions in the face of declining Prop 10 revenues.

The current First 5 Solano Strategic Plan identifies three Commission Priorities and eight related Goals. Based on existing funding commitments as well as community strengths and needs, the Commission chose to highlight five Goals for new investments in the coming years. (Please see Appendix B: Strategic Framework.)

The 2005 – 2015 Long Term Financial Plan

The First 5 Solano Long Term Financial Plan is designed to directly support the Commission's Strategic Plan, and is integrated into the evaluation and budgeting processes (please see Appendix A: The Planning Process). It provides a structure that (a) stabilizes annual program investment funding over the long term and (b) helps the Commission better understand the long term financial impact of First 5 Solano's program and system change investments – the allocation of dollars to activities and services that support children and families. Each program investment decision is impacted by commitments already made (which restrict the dollars available for new funding) and may significantly impact the Commission's future investment options and decisions.

While it is important to know what the Long Term Financial Plan *is*, it is equally important to know what it *is not*. **The Long Term Financial Plan does not dictate First 5 Solano's future financial obligations, appropriations, or funding commitments; rather, it serves as a framework to guide the management of resources and program investments as allocated by the Commission in accordance with its approved Strategic Plan.**

The Long Term Financial Plan has been developed by the full Commission with the support and guidance of a steering committee made up of Commissioners Laura Fowler, Sheryl Fairchild, and Nancy Calvo; Executive Director Christina Linville, Fiscal and Contract Administrator Michele Duane; and consultants Elizabeth Sadlon and Caroline McCall.

The Long Term Financial Plan will be updated annually with actual revenues and expenditures. The Commission will review the assumptions that support the underlying financial model and determine any changes that are warranted. This Plan will also be used to support an ongoing Three Year Program Investment Plan and the annual budget process.

Organization of the Long Term Financial Plan

The body of this Plan is in four parts:

- **Goals, Objectives, Assumptions and Principles** that underlie the Financial Plan and guide its use

- **Financial Approach and Results**, defining the level of annual program investment

- **Program Investment Framework,** delineating how program investment dollars will be used during two distinct phases and allocated through a prototypical annual funding cycle

- **Operational Policies** that further shape the use of the Plan

III. Goals, Objectives, Assumptions and Principles

Long Term Financial Plan Goals

The overarching goal of this Long Term Financial Plan is to provide a guiding framework for funding decisions made by the First 5 Solano Children and Families Commission, ensuring consistency with the Commission's vision for its legacy in the community and supporting the implementation of the Commission's Strategic Plan. More specific goals include:

1. Developing a 10 year plan for the use of Commission resources that can be updated annually based on actual financial data;
2. Supporting a systematic approach to funding decisions that incorporates an understanding of both short and long term implications for each decision, and is informed by program evaluation; and
3. Establishing expectations with the community as to the anticipated amount of funding each year and the likely timing of grant applications and awards.

Long Term Financial Plan Objectives

This Financial Plan communicates the Commission's values and philosophy by defining the level of program investment that will be made in each of the next 10 years. The Commission's objectives for this plan include:

1. Providing a consistent level of funding to the community that is expected to continue over at least the next 10 years[1];
2. Providing capacity for multi-year initiatives and incorporating a commitment to evaluation results as a primary criterion for future investment decisions;
3. Leveraging matching funds from state initiatives and other sources that are consistent with the Commission's strategic focus;
4. Allowing flexibility in Commission decision-making; and
5. Creating opportunities for system change through both direct service and capacity building grants.

Financial Planning Model Assumptions

This Financial Plan has been developed based on an Excel model that estimates revenues and expenses for the 10-year period from 2005/06 through 2014/15. (See Appendix D: Financial Model Results.) The calculations are based on the following assumptions:

1. **Prop 10 revenues** – The financial planning model uses county-level projections provided by First 5 California for Prop 10 revenues through 2007/08[2]. Beyond that, revenues are estimated based on the trend established by the state projections (3.5% decline per year).

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[1] The Long Term Financial Plan uses Commission reserves and carry-over funds to support consistent, although reduced, program investment through at least 2016/17

[2] These revenue projections have been developed using a forecasting model that incorporates county birth rates, smoking rates, immigration rates, and several other factors

Projected Prop 10 Revenues to Solano County
By Fiscal Year, In Millions of Dollars

05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15
$4.7	$4.5	$4.4	$4.2	$4.1	$3.9	$3.8	$3.7	$3.5	$3.4

2. **Rate of interest earnings** – The general fund and reserve funds are both held with the County. At this time, interest rates are estimated at 2%.
3. **Disposition of interest earnings** – Interest earnings (if any are projected) are used as a source of revenue for the next year.
4. **Operating expenses** – The financial planning model uses budgeted 2004/05 levels as baseline, and assumes a 3% annual increase for inflation. Operating expenses for program support and administration include salary and benefits, data collection and evaluation, services and supplies, school readiness administration, insurance and contracted/professional services. Additional Program Support dollars of $100,000 are assumed for 2005/06.
5. **First 5 California special programs (or initiatives)** – The model includes what is known and anticipated based on the First 5 California Strategic Plan, specifically the CARES match through 2004/05 and School Readiness match through 2006/07.
6. **Level of other revenues** – The Commission will look to extend its resources and increase its impact by exploring opportunities for local public and/or private sector partnerships. However, the model will not reflect matching or other revenues unless a commitment is established.

Long Term Financial Plan Principles

This Financial Plan's principles provide guidance and procedures for the use of and revisions to the Long Term Financial Plan (LTFP).

1. The LTFP is designed to communicate the Commission's long term approach to funding; therefore, it estimates revenues and expenses over a 10 year time horizon.
2. The Commission will use the LTFP as the framework for annual development and/or updating of its Three Year Program Investment Plan and annual Budget.
3. The LTFP will address programmatic funding commitments, and will not obligate the Commission to actual contracts or funding awards.
4. The Commission will update the financial model annually based on actual data and will review (and revise as appropriate) the LTFP at least every two years. As part of the update process, Commission staff will validate that the assumptions in the financial model are still appropriate and make any necessary changes.
5. Changes to the LTFP shall be approved by the Commission. Revisions to the LTFP will be approved prior to, in conjunction with, or in alignment with the development of the Three Year Program Investment Plan and/or the annual Budget.
6. In order to effectively implement the Long Term Financial Plan, and as input to its Three Year Program Investment Plans and annual budgets, the Commission will regularly review data on the distribution and impact of its program investment (both current and committed). These data will include:

a. Distribution of program investment across Goals and Results;
b. Proportion of program investment made through multi-year vs. single-year grants;
c. Proportion of program investment made through direct service vs capacity building grants;
d. Proportion of program investment made through “dedicated programs” (if any);
e. Geographical areas and target populations served.

IV. Financial Approach and Results

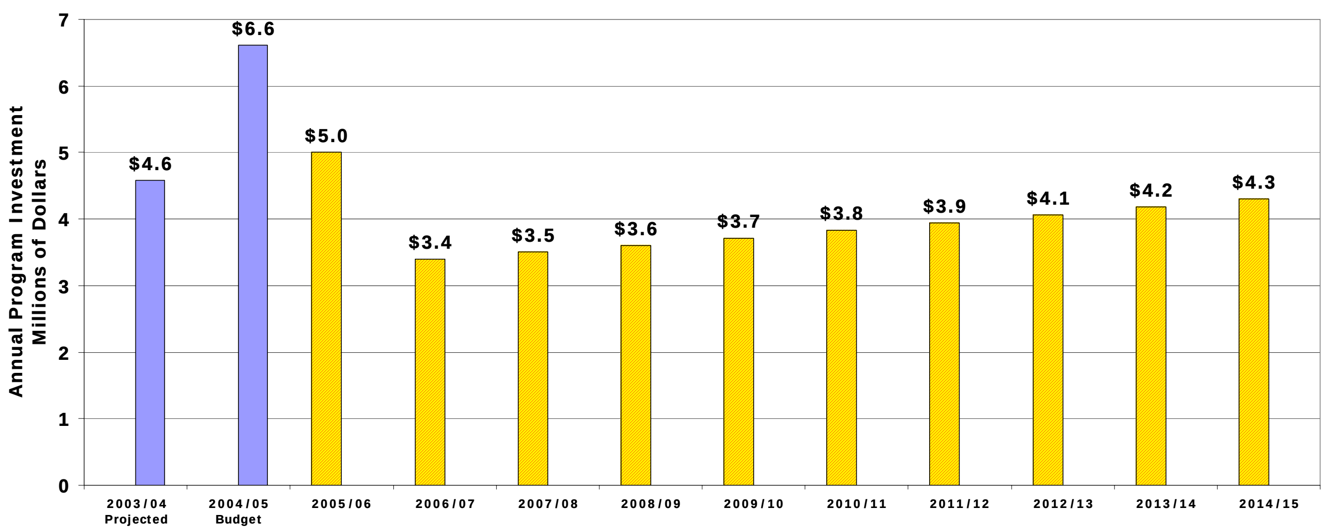
To define its approach to program investment, the Commission closely examined all of its available resources, estimated the revenues that are expected to become available, projected operating and program expenses, and reviewed existing program investment commitments. (See Appendix C: Historic Prop 10 Revenue and Program Investments for more details.)

The projected steady decline in Proposition 10 allocation funding, as well as the significant needs and opportunities in Solano County, led the Commission to adopt a funding approach that:

- Peaks with 2004/05 record budgeted program investment of $6.6 million;
- Incorporates decreases in program investment of $1.6 million in each of the two subsequent years, resulting in program investment of $3.4 million in 2006/07; and
- Allows the Commission to make level[3] program investments (after the transition period) through 2014/15 by using carry-over and reserve funds.

First 5 Solano Annual Program Investments

In Millions of Dollars



As a result (See Appendix D: Financial Model Results for more detail):

- The Commission uses Prop 10 allocation and carry-over funds to support program investment through 2009/10 and begins to use reserves to support program investment in 2010/11; and

[3] **A Note on Inflation:** Annual program investment increases by the projected amount of inflation each year beyond 2007/08. This is done so that **the value of the Commission's total program investment is constant through time**, despite the increase of costs that are associated with annual inflation. In other words, $10,000 spent on a specific service in ten years will not buy as much as $10,000 spent on the same services today. This does not imply that specific multi-year grants will increase each year.

- Reserves are depleted in twelve years (in 2016/17).

After reserves are depleted, the Commission's resources for program investment, program support and other operating costs will be limited to its annual Prop 10 allocation, interest earned, dollars allocated from First 5 California for matching opportunities and any other revenue sources that the Commission secures.

10-Year Summary of Financial Projections

Millions of dollars by fiscal year

	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15
Prop 10 annual allocation	4.7	4.5	4.4	4.2	4.1	3.9	3.8	3.7	3.5	3.4
Total available funds*	21.2	19.9	19.5	19.0	18.2	17.1	15.7	13.9	11.8	9.4
Program support/ operating	1.7	1.6	1.5	1.5	1.6	1.6	1.7	1.7	1.8	1.8
Total program investment	5.0	3.4	3.5	3.6	3.7	3.8	3.9	4.1	4.1	4.3
Available program investment**	3.0	1.9	2.9	3.6	3.7	3.8	3.9	4.1	4.1	4.3

***** Total available funds = (total funds) + (reserve beginning fund balance)

****** Available program investment = (total program investment) – (commitments already made)

Over the 10 year span of the Long Term Financial Plan, the Commission is expected to receive $41.1 million in Prop 10 revenue and estimates it will invest up to $39.5 million in community programs, funded in part by reserves built up during its initial years.

Based on actual grants made and program investment levels in this plan, the Commission expects to make program investments totaling over $56 million by the end of 2015.

V. Program Investment Framework

First 5 Solano Children and Families Commission is committed to creating and sustaining meaningful impact in the lives of children 0-5 and their families in Solano County. This framework for program investment defines the parameters within which the Commission will make specific funding decisions in support of that commitment and in the context of the Strategic Plan. The program investment framework allows the Commission to:

- Continue to provide the majority of its funding through direct service grants, while also investing in capacity building efforts that can provide long term impact through short-term investments;
- Maintain its option to participate in emerging state initiatives through 2006/07; and
- Offer some new grants and respond to unanticipated opportunities.

This Program Investment framework allows the Commission to activate its program investments in two distinct phases – a two-year transition period and an eight-year period of sustained investment.

Overview of 10-Year Program Investment by Fiscal Year

04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15
As Per Budget	Transition		Sustained Investment							

Transition Period: 2005/06 and 2006/07

All available funding in 2005/06 and 2006/07 is considered "transitional funding." Specific uses and dollar amounts will be determined in the Commission's 2005-2008 Three Year Program Investment Plan.

Purpose:

- Allow time to incorporate evaluation results into Commission deliberations;
- Allow time for informed decisions about which services become dedicated (long-term) programs and for appropriate transition of other multi-year grantees; and
- Allow for some new grant decisions each year.

Funding may include:

- Continued services currently provided by the large multi-year direct service grants, family support grants, or upcoming initiatives (prenatal, child care)--
  - To current grantees at constant or reduced levels
  - To only some of the service areas
  - To different grantees in the same service areas
  - Or some combination of these
- Emerging state initiative(s) that are consistent with the Commission's highlighted Goals; and
- Other new grants that address highlighted Goals.

The Commission will ensure that all funding decisions during the transition period are consistent with the Strategic Plan Update and will explicitly identify and take into account the anticipated impact of each funding decision on later funding years. (See Appendix E: Funding Mechanisms for more detail on the types of grants that may be considered.)

Sustained Investment (2007/08 and beyond)

During this period, the Commission may fund grants from among three categories each year:

- Major Grant Programs
- One-Time Grants
- Discretionary Funds

The following description of each category includes the Commission's target percentage of annual program investment and, in some cases, a maximum amount. Specific levels for each category will be set by the Commission during the development of its Three Year Program Investment Plan. More specific criteria will be identified for each category at that time. (See Appendix E: Funding Mechanisms for more detail on the types of grants that may be considered.)

<u>Major Grant Programs</u> **–** at least 70% of annual program investment--

Purpose:
Sustained funding for larger initiatives, allowing time for start-up and ongoing service provision or project funding over several years.

May include:

- "Promising Programs" – initial funding (up to four years) to develop, implement, and evaluate a promising program or service that addresses a highlighted Goal; and/or
- "Dedicated Programs" – long-term funding (for five or more years) for selected programs or services, based on criteria such as program and cost effectiveness, community impact and sustainability.

<u>One-Time Grants</u> – up to 20% of annual program investment, not to exceed $500,000 in any one year--

Purpose:

- Make Commission funding available to a larger number of organizations and community groups through grants that support the highlighted Goals.
- Provide short-term capacity building grants as a powerful way to sustain the impact of First 5 Solano dollars beyond the specific investment years by increasing the ability of the community and providers to meet the needs of children for years to come.

May include:

- Mini-grants (one-time, up to $10,000 each); and/or
- 1-to-2 year mid-sized grants (up to $75,000 each) in the form of capital, capacity building, community education, or direct service grants.

All one-time grants must support at least one of the highlighted Goals.

Discretionary Funds **–** up to 10% of annual program investment, not to exceed $250,000 in any one year--

Purpose:
To give the Commission flexibility to consider grants for opportunities that arise during the budget year, are consistent with the Strategic Plan, and cannot wait for consideration through the established grant-making cycle.

May include:
- Sponsorships;
- Time-sensitive efforts; and/or
- Short-term support or response.

Commission guidelines specify that discretionary funds may be used for the following:
- Program opportunities which arise during the year and would not be included within defined funding programs in the Commission's existing budget;
- Program opportunities that the Commission wishes to address before the next Three Year Program Investment Plan is developed; and/or
- Long-term (multi-year) grants ONLY IF the timeframe does not allow the Commission to wait for its next Three Year Program Investment Plan/budget cycle AND the opportunity includes matching funds.

Over time, these guidelines may be modified and/or additional guidelines may be developed by the Commission.

All grants from Discretionary Funds must support at least one of the Commission's highlighted Goals.

If designated discretionary funds are not used during the budget year, they will be spent promptly through the next One-Time Grant or Major Grant Program funding opportunity, and not carried over multiple years.

Funding Cycle

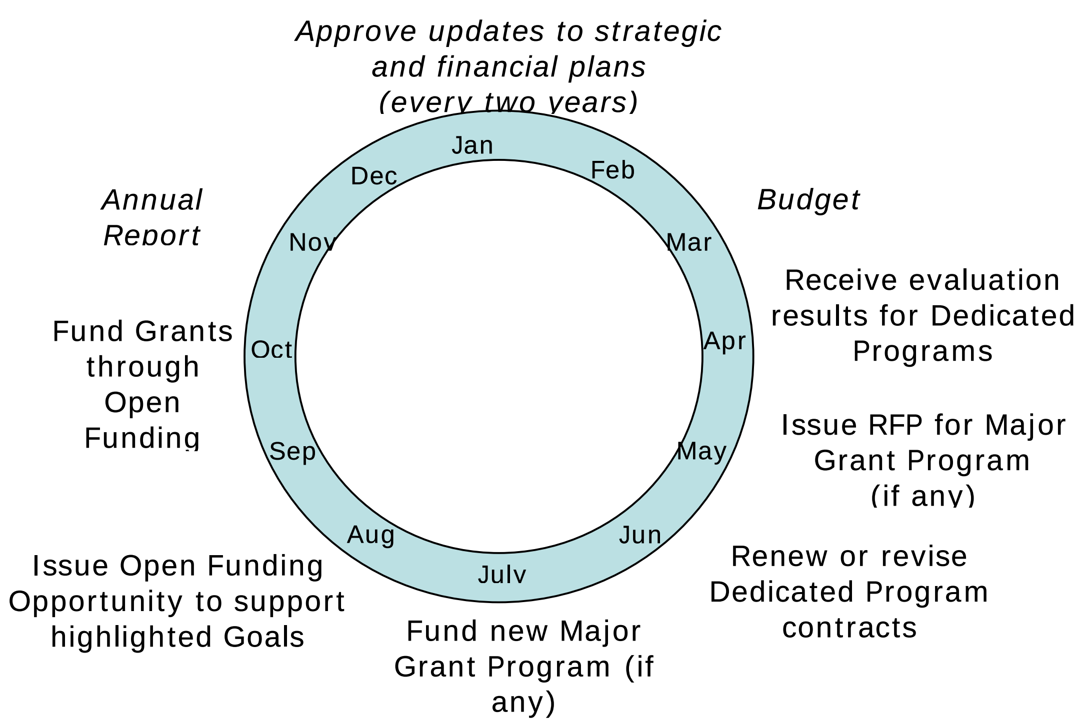
<u>Transition Years: 2005/06 and 2006/07</u>
During this time period, the Commission will distribute transitional funds through:

- **Review and revision, as needed, of existing grants** for possible funding beyond 2004/05 (based on additional evaluation results available throughout the period and other criteria to be determined);
- **Open Funding Opportunity in Spring 2006** to support highlighted Goals;
- **Assessment of potential Dedicated Programs**, with choices made **by December 2006** for contracting and implementation beginning July 2007;
- **Open Funding Opportunity in Spring 2007** to support highlighted Goals; and
- **State initiative partnerships** according to state RFP schedule; commitments **established by June 2007.**

Specific amounts will be developed in the 2005 - 2008 Three Year Program Investment Plan.

<u>Sustained Investment: 2007/08 and beyond</u>
During the period of sustained investment, the Commission expects to provide funding according to the following calendar:

Proposed Calendar for 2007/08 and Beyond



VI. Operational Policies

By approving this Long Term Financial Plan, the Commission expects to use the following operational policies for the implementation, maintenance and update of the plan.

1. Investment of reserves

All available First 5 Solano funds, including reserve dollars, are invested in the County Investment Pool and are expected to earn around 2% in the next year. While there is no separate reserve account for First 5 Solano, its reserve funds, as part of the overall County reserve, cannot be accessed during the budget year.

2. Accounting for matching, partnership or other revenues

Revenues from sources other than the Prop 10 allocation are likely to span a limited number of years and are difficult to project into the future. A decision to pursue these revenues may result in significant resources for the Commission.

In order to provide the best information to the Commission and maintain realistic expectations for available revenues, these revenues will continue to be tracked as separate revenue line items and only committed matching or partnership revenues will be included in Three Year Program Investment Plans and annual Budgets.

3. Approach to any surpluses or adjustments at the end of a budget year

The Commission has the obligation to invest its resources to the greatest benefit of children 0-5 and their families in the County and to meet all of its financial commitments. In order to accomplish both of these objectives, any budget year surpluses will be used to support the sustainability of the Commission in the long term; adjustments or shortfalls will be covered from an established contingency fund. (This does not apply to unspent discretionary funds which must be budgeted in the following year).

APPENDIX A: The Planning Process

In February, 2004 the Commission approved its Strategic Plan Update. Central to that plan is a revised Strategic Framework that shows the Commission's three Priorities for the next 10 years, with related Goals and Results (see page 18). The Commission also highlighted five Goals for emphasis in **new** grants (shaded on page 18).

Through the strategic planning process, it became clear to the Commissioners that all of its program investment decisions have both short-term and long-term implications. (For example, decisions about multi-year grants impact the balance of investments across Priorities and Goals in current and future years as well as the funds available in future years.) The Commission determined that a Long Term Financial Plan would ensure it is more fully informed regarding potential implications when making its funding decisions.

The Commission's plan for the use of annual Prop 10 allocations, carryover funds, and the current reserve are articulated through this Long Term Financial Plan. This work incorporates and builds on the discussions and activities at the October 2003 strategic planning retreat and creates a foundation for future strategic and financial planning efforts

First 5 Solano is engaged in a comprehensive planning process that uses five major tools:

- Strategic Plan
- Evaluation Framework
- Long Term Financial Plan
- Three Year Program Investment Plan
- Annual Budget

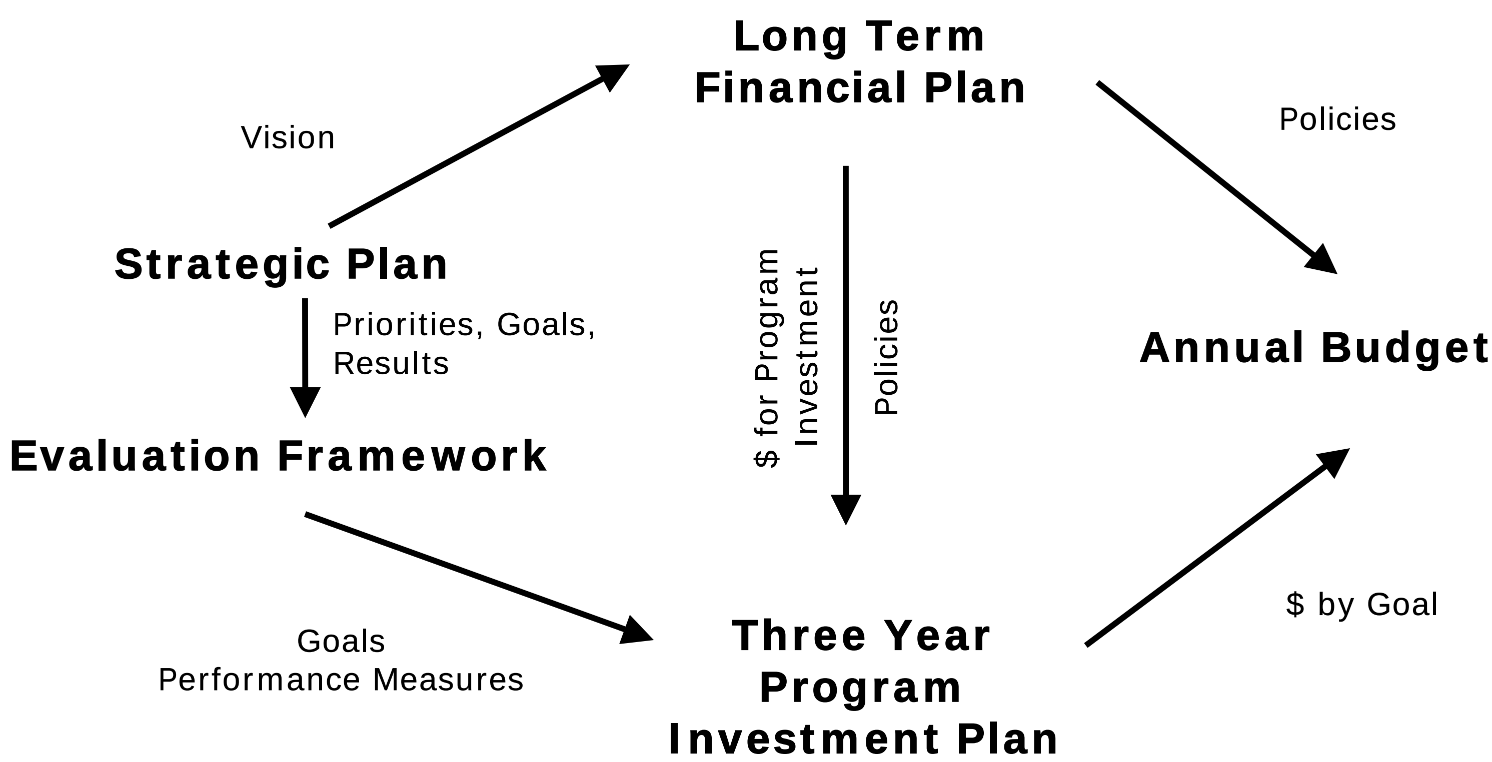
The following table, "Interrelationship of Planning Tools," shows how these tools range from broad to specific and from long term to immediate, as well as how each has unique purpose and key functions. The graphic on the page after the "Interrelationship of Planning Tools" table shows, moving from left to right, how each of the tools contributes to the others and to the overall planning process.

First 5 Solano Children and Families Commission
Interrelationship of Planning Tools

	Strategic Plan	Evaluation Framework	Long Term Financial Plan	3 Year Program Investment Plan	Annual Budget
Purpose	Set vision and priorities	Make the Strategic Plan measurable	Provide long-term policies and projections for funding priorities	Communicate how funds will be allocated among highlighted Goals	Translate vision into action through detailed spending plan
Key Functions	• Set Priorities for 10 years • Highlight Goals for 2-5 years	• Identify and attach Indicators to the Results in the Strategic Plan • Track program performance and contributions to positive movement in community-level Indicators	• Forecast by type of revenue or expense • Quantify amount of program investment each year • Establish policies on use of financial resources	• Review recent allocations against LTFP policies • Direct program investment funds to grant programs and to highlighted Goals • Provide a timeline for funding	• Provide specific forecasts and expenditure plans by revenue and expense accounts
Scope	Broad	Moves from broad to specific	Broad	Moves from broad to specific	Specific
Planning Horizon	10 years	Aligns with the Strategic Plan	10 years	3 years	One year
Revisions	Annual Review 2 Year Update	Annual Review 2 Year Update	Annual Review 2 Year Update	Annual Update	Annual Creation Continuous monitoring
Does *not…*	Make specific spending commitments	Identify all program performance indicators	Obligate future Commissions to specific funding or authorize contracts	Specify grantees or contracts	Guarantee future funding to current grantees

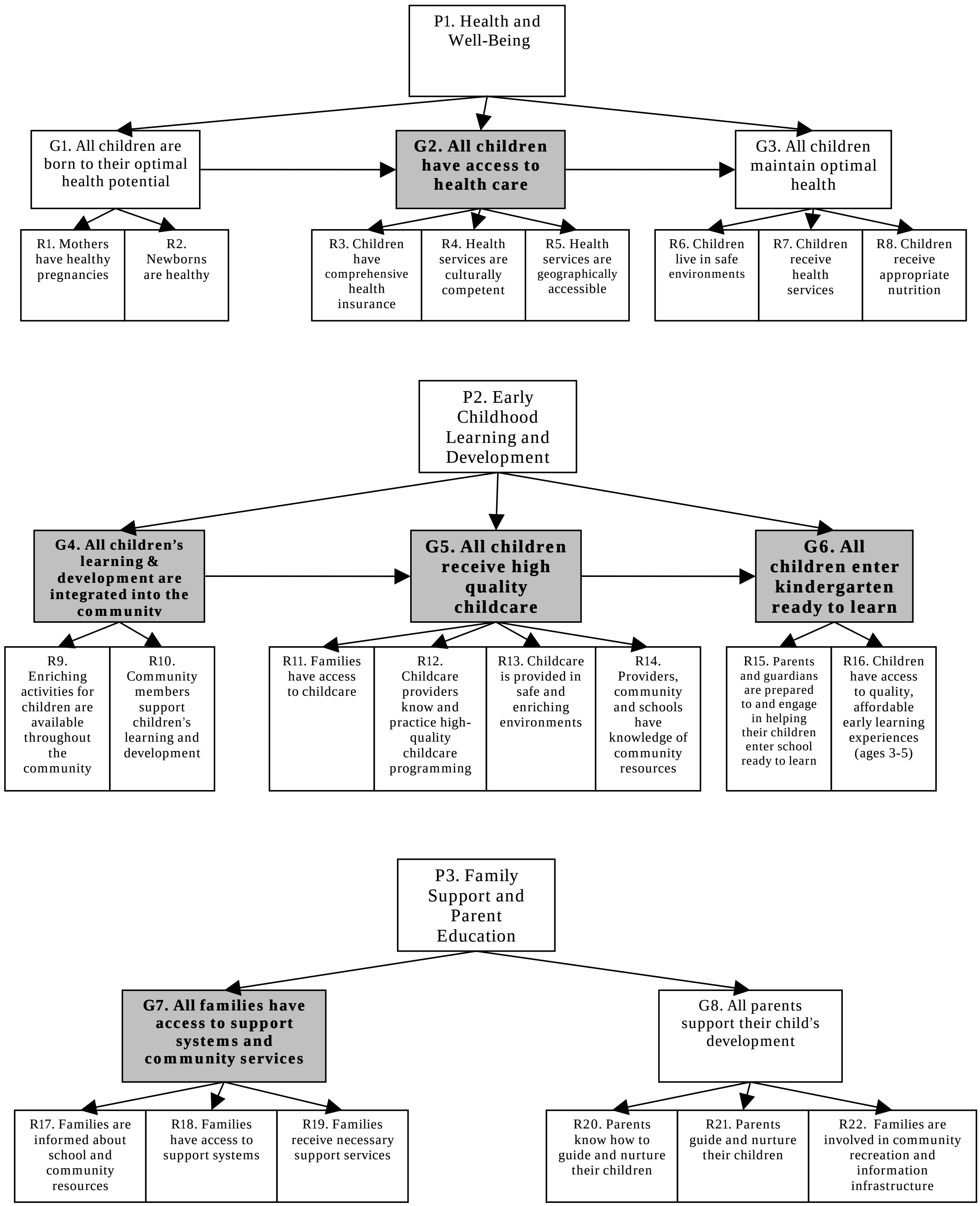
Adapted from Proposition 10 Financial Planning Guidebook, June 2002, page 18

First 5 Solano Children and Families Commission
Interrelationship of Planning Tools



Adapted from Proposition 10 Financial Planning Guidebook, June 2002, page 19

APPENDIX B: First 5 Solano 2004 Strategic Framework



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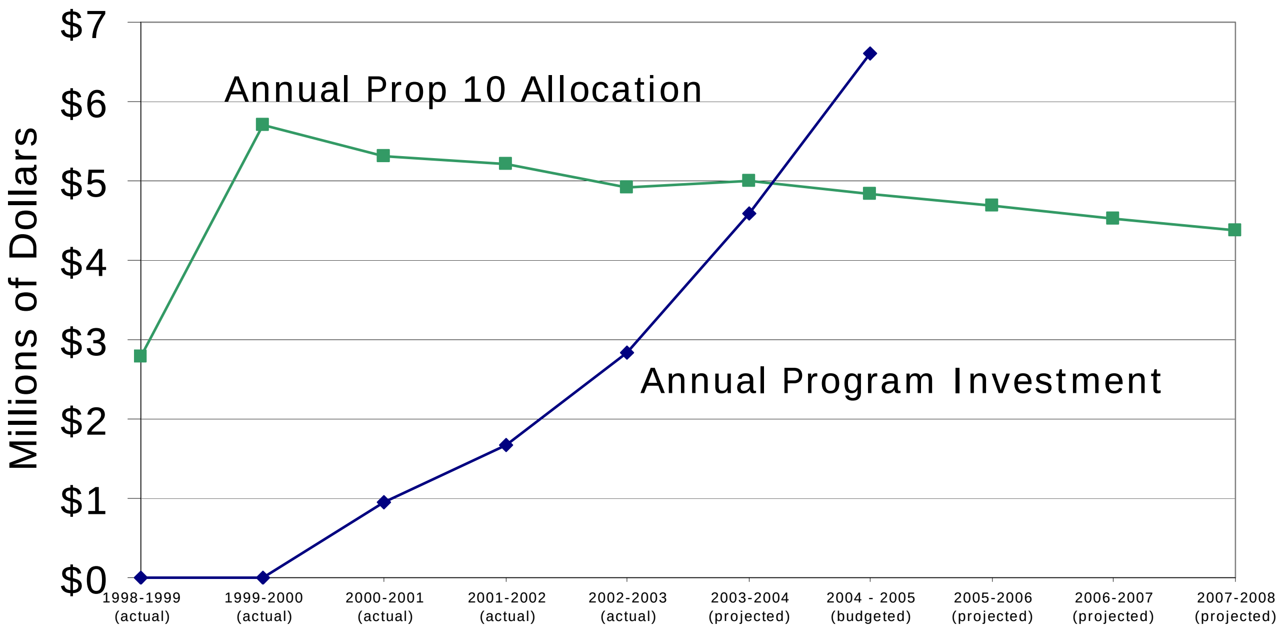
aded Boxes = highlighted Goals

APPENDIX C: Historic Prop 10 Revenue and Program Investments



Annual Prop 10 Allocation

Prop 10 revenues began flowing to Counties in 1998/99, when First 5 Solano received an allocation of $2.8 million. Prop 10 revenues to Solano County peaked in 1999-/00 at $5.7 million, and have declined to the anticipated level of $4.8 million in 2003/04. From 2003/04 forward, the chart shows the decline in County revenues as predicted by First 5 California using a forecasting model that takes into account county birth rates, smoking rates, immigration rates, and several other factors.

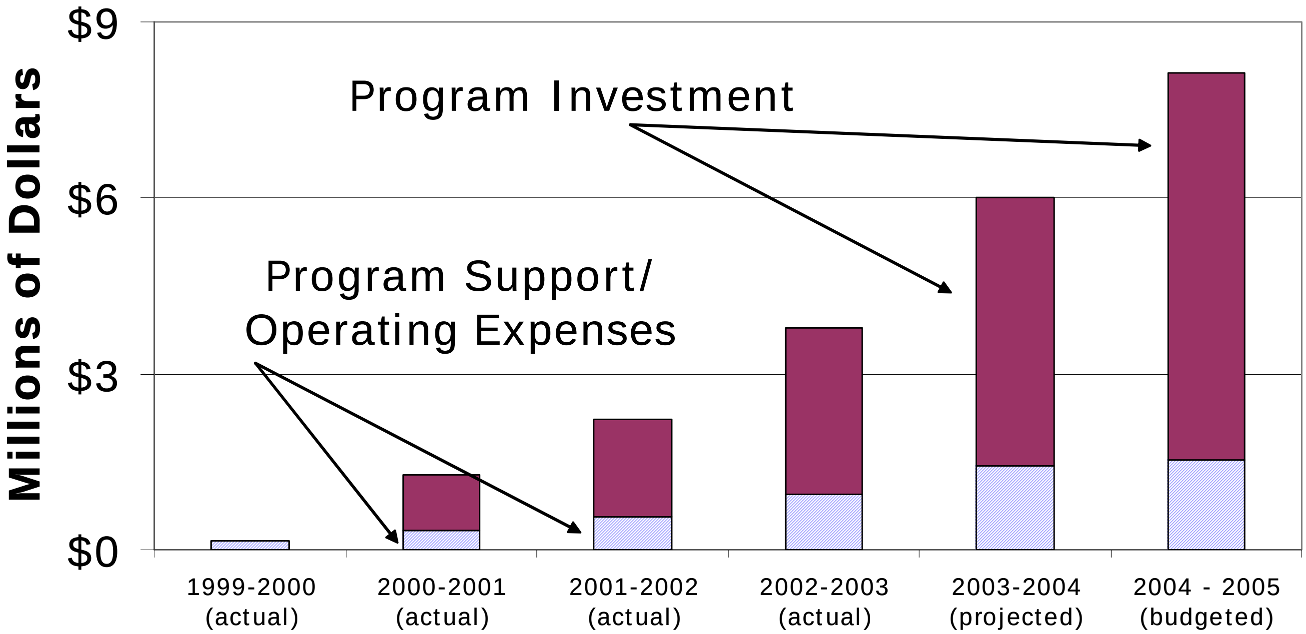
Over its first five years, the Commission received over 90% of its revenues through Prop 10 allocations (other revenues include interest and state matching funds).

Annual Program Investments

First 5 Solano began making program investments in 2000/01. Each year since, the level of program investment has risen. In its 2004/05 budget, the Commission plans to use carryover funds to make a record $6.6 million in program investments.

Annual expenditures on program investment and program support/operating expenses

First 5 Solano program support/operating expenses began in 1999/00 and grew over time as the Commission's investments expanded and its infrastructure was put in place. First 5 Solano program investment began in 2000/201. The Commission's grant expenditures have been less than the total program investment budgeted each year, resulting in a fund balance that is now incorporated into the Long Term Financial Plan.



How past program investments break out by types of grants

75% Direct Service
25% Capacity Building

To date, the Commission has committed 75% of its program investment dollars to direct service grants, and 25% to capacity building grants (which include planning grants, capital grants, community education & capacity building, mini-grants and provider capacity building and technical assistance). Of the approximately $2.5 million in grants scheduled for RFP in 2004/05, 20% are for capacity-building.[4]

82% Multi-Year
18% One-Time

To date, the Commission has committed 82% of its program investment dollars to multi-year grants, and 18% to one-time grants. Of the approximately $2.5 million in grants scheduled for RFP in 2004/05, only the second part of the prenatal initiative (representing 67% of dollars to be contracted) are expected to be made through multi-year grants. [5]

[4] Grants that have been allocated but not yet contracted are included (carryover grants, child care initiative, and prenatal initiative to be contracted in 2004/05)

[5] Grants that have been allocated but not yet contracted are included (carryover grants, child care initiative, and prenatal initiative to be contracted in 2004/05)

APPENDIX D: Financial Model Results

First 5 Solano
Ten Year Financial Model
Dollars in Thousands

	2003/04 Projected	*2004/05 Budget*	*2005/06*	*2006/07*	*2007/08*	*2008/09*	*2009/10*	*2010/11*	*2011/12*	*2012/13*	*2013/14*	*2014/15*	*10 YEAR TOTAL (2005-15)*
Beginning Fund Balance (Unobligated)	***5,640.7***	5,248.5	3,023.8	1,826.6	2,102.6	1,771.9	1,131.7	176.8	0.0	0.0	0.0	0.0	
Revenue													
Annual Projected Allocations	5,095.9	4,841.2	4,683.2	4,527.5	4,369.2	4,216.3	4,068.7	3,926.3	3,788.9	3,656.3	3,528.3	3,404.8	40,169.3
School Readiness match	476.2	482.7	476.2	476.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	952.3
CARES match	166.5	178.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Administrative overhead	0.0	40.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MAA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtotal Revenue	**5,738.6**	**5,542.3**	**5,159.4**	**5,003.6**	**4,369.2**	**4,216.3**	**4,068.7**	**3,926.3**	**3,788.9**	**3,656.3**	**3,528.3**	**3,404.8**	**41,121.6**
General Fund Interest Earnings	356.5	371.9	60.5	36.5	42.1	35.4	22.6	3.5	0.0	0.0	0.0	0.0	200.7
Reserve Interest Earnings			255.0	255.0	255.0	255.0	255.0	255.0	233.0	201.0	162.3	116.7	2,242.9
Contribution from Reserve Fund	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**1,098.7**	**1,602.2**	**1,935.6**	**2,276.1**	**2,624.1**	9,536.6
Total Funds	**11,735.7**	**11,162.6**	**8,498.6**	**7,121.8**	**6,768.8**	**6,278.6**	**5,478.1**	**5,460.3**	**5,624.1**	**5,792.8**	**5,966.6**	**6,145.6**	
Expenses													
Projected Rate of Inflation			***3.00%***	***3.00%***	***3.00%***	***3.00%***	***3.00%***	***3.00%***	***3.00%***	***3.00%***	***3.00%***	***3.00%***	
Additional Program Support	0.0	0.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0
Administration Salary & Benefits	462.5	465.9	479.8	494.2	509.1	524.3	540.1	556.3	572.9	590.1	607.8	626.1	5,500.7
Evaluation and Data Collection	396.4	375.0	386.3	397.8	409.8	422.1	434.7	447.8	461.2	475.0	489.3	504.0	4,427.9
Services and supplies	420.0	235.3	242.4	249.7	257.2	264.9	272.8	281.0	289.4	298.1	307.1	316.3	2,778.9
School Readiness administration	143.0	158.2	162.9	167.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	330.7
Insurance	0.0	111.9	115.2	118.7	122.2	125.9	129.7	133.6	137.6	141.7	146.0	150.3	1,320.9
Contracted/ professional services	0.0	180.0	185.4	191.0	196.7	202.6	208.7	214.9	221.4	228.0	234.9	241.9	2,125.4
Program Investment	4,585.4	6,612.6	5,000.0	3,400.0	3,502.0	3,607.1	3,715.3	3,826.7	3,941.5	4,059.8	4,181.6	4,307.0	39,541.0
0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtotal Expenses	**6,007.2**	**8,138.8**	**6,672.0**	**5,019.2**	**4,996.9**	**5,146.8**	**5,301.2**	**5,460.3**	**5,624.1**	**5,792.8**	**5,966.6**	**6,145.6**	**56,125.5**
Reserve Contribution	480.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Expenses	**6,487.2**	**8,138.8**	**6,672.0**	**5,019.2**	**4,996.9**	**5,146.8**	**5,301.2**	**5,460.3**	**5,624.1**	**5,792.8**	**5,966.6**	**6,145.6**	**56,125.5**
Ending Fund Balance (Unobligated)	**5,248.5**	**3,023.8**	**1,826.6**	**2,102.6**	**1,771.9**	**1,131.7**	**176.8**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	

Reserve Fund	*2003/04 Projected*	*2004/05 Budget*	*2005/06*	*2006/07*	*2007/08*	*2008/09*	*2009/10*	*2010/11*	*2011/12*	*2012/13*	*2013/14*	*2014/15*
Reserve Beginning Fund Balance	12,269.3	12,749.3	12,749.3	12,749.3	12,749.3	12,749.3	12,749.3	12,749.3	11,650.6	10,048.4	8,112.8	5,836.8
Contribution to Reserve Fund	480.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Withdrawal from Reserve Fund	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**1,098.7**	**1,602.2**	**1,935.6**	**2,276.1**	**2,624.1**
Reserve Ending Fund Balance	12,749.3	12,749.3	12,749.3	12,749.3	12,749.3	12,749.3	12,749.3	11,650.6	10,048.4	8,112.8	5,836.8	3,212.7

APPENDIX E: Funding Mechanisms

The Commission may use the following funding mechanisms for its grants. These mechanisms may be employed through specific RFPs or RFQs, or through consolidated funding opportunities.

Funding Mechanism	Length	Description	Advantages
Mini Grant	1 year	Covers small purchases or other one time expenses to improve or expand services	Allows broad community access to Prop 10 funding
Start-Up Grant	1 – 2 year	Covers costs of development, planning and/or start-up for new services	Supports data driven innovation Sets stage for well designed self-sustaining programs
Capital Grant	1 – 2 year (may be a long-term forgivable loans)	Covers capital investments for long term community impact	One time expense for long term benefit
Direct Service Grant	Usually multi-year	Covers new or expanded services directly serving children 0-5 and their families	Provides immediate, tangible benefits to children and their families Can impact a large number of people through a few grants
Community Education & Capacity Building	1 – 2 year	Covers costs of specific programs or activities for community education & development	One time expense can have long term benefit Can engage and impact whole communities
Provider Capacity Building and Technical Assistance	1 – 2 year	Covers cost of addressing defined technical, administrative or operational improvements to enhance provider capabilities	One time expense can improve capacity and sustainability for individual providers or across provider system

[6] grants that have been allocated but not yet contracted are included (carryover grants, child care initiative, and prenatal initiative to be contracted in 2004 – 2005); capacity building grants include CARES, capital, planning, child care training initiative, and all mini-grants)

[7] grants that have been allocated but not yet contracted are included (carryover grants, child care initiative, and prenatal initiative to be contracted in 2004 – 2005)