



FIRST 5 SAN MATEO COUNTY COMMISSION (F5SMC)

FINANCE AND ADMINISTRATION COMMITTEE MEETING

Monday, June 10, 2024
9:00 am to 10:00 a.m.

First 5 San Mateo County Office Building
1700 S. El Camino Real, 1st Floor – Miller Ream
San Mateo, CA 94402

COMMISSION MEMBERS: Claire Cunningham, Sylvia Espinoza, Carla Boragno

STAFF: Kitty Lopez, Khanh Chau

AGENDA

	Item	
1.	Approval of the Finance and Administration Committee Agenda	Espinoza
2.	Approval of the May 13, 2024, Finance and Administration Committee Meeting Minutes <i>(See Attachment 2)</i>	Espinoza
3.	Action: Review and Recommend Approval of F5SMC's Long-Term Financial Plan (LTFFP) FY 2024-29 (FY23/24 Update) <i>(See Attachments 3, 3A, 3B, 3C)</i>	Lopez / Chau
	Next Finance and Administration Committee Meeting October 21, 2024	

**FIRST 5 SAN MATEO COUNTY
FINANCE AND ADMINISTRATION COMMITTEE
MEETING MINUTES**

May 13, 2024

- Commission Member: Claire Cunningham, Carla Boragno
- Staff: Kitty Lopez, Khanh Chau
- Minutes: Khanh Chau

Commissioner Sylvia Espinoza was absent.

Commissioner Claire Cunningham chaired the meeting.

1. Approval of the Finance and Administration Committee Meeting Agenda

A Motion for Approval of the May 13, 2024, Finance and Administration Committee Meeting Agenda was made by Commissioner Cunningham, seconded by Commissioner Boragno. Unanimously approved.

2. Approval of the Finance and Administration Committee Meeting Minutes

A Motion for Approval of the February 12, 2024, Finance and Administration Committee Meeting Minutes was made by Commissioner Cunningham, seconded by Commissioner Boragno. Unanimously approved.

3. Review and Recommend Approval of First 5 San Mateo County Policies Bylaws for FY 2024-25

Kitty Lopez stated that F5SMC Commissions must review and approve F5SMC's policies and Bylaws annually for state compliance requirements. There are no changes to the presented F5SMC's Policies and Bylaws for the FY2024-2025.

Committee members reviewed and asked questions for clarifications about Contracting and Procurement Policy. Committee members suggested some language revision to the policy for clarity improvement; however, Committee members still endorsed the contract threshold amounts of the Executive Director's authority, that is stated in the policy.

Committee members also asked questions about Administrative Cost Policy and suggested comparison of peers' administrative cost rate. Committee members asked questions for clarifications about approval of sponsorship for fund raising events. Kitty Lopez responded that all sponsorship activities are educational and programmatic in nature and that First 5 does not sponsor fundraising events as a practice.

A Motion for Approval of F5SMC's Policies and Bylaws for FY2024-25 was made by Commissioner Boragno, seconded by Commissioner Cunningham. Unanimously approved.

4. Review of Budget Monitoring Report as of April 30, 2024

Kitty Lopez shared more contextual information about First 5's budgeting cycle and elements needing Commission review and discussion. She cited that the agency presents

quarterly Budget Monitoring Reports. At the Finance and Administration Committee meetings, Committee members will have deeper review, discussion, questions, and clarifications of finance documents, and make recommendations to the full Commission. Kitty Lopez briefly presented an overview of the Budget Monitoring Report as of April 30, 2024, comparing to 83% YTD Benchmark (**Attachments 13A, 13B, 13C**). YTD Total Revenue is 2% higher than YTD benchmark due to higher Interest Revenue and higher Tobacco Tax Revenue.

Total Appropriations is 22% below YTD Benchmark due to slow program and grant executions at the beginning of new funding cycle and underspending in various Admin Expenses due to staff working more outside of the office environment.

Projected Ending Fund balance of \$13.878 million or 120% of the planned budget or \$2.356 million higher than the planned budget.

Committee members reviewed and asked questions for clarifications about the Budget Monitoring Report as of April 30, 2024. Committee members had no further questions.

5. Review and Recommend Approval of First 5 San Mateo County (F5SMC) Draft Budget FY 2024-25 and the Use of Ending Fund Balance (Ending Reserves*) to fund the Draft Budget FY 2024-25

Kitty Lopez provided key budget changes in the F5SMC's FY 2024-25 Draft Budget, as presented in the summary table of the Budget memo and Budget Narratives (Attachment 7) and Budget Worksheets (Attachments 7A, 7B, 7C).

Committee members suggested the inclusion of a Note Column in the summary table providing primary reasons of budget changes. Committee members also asked questions about the Reserves* amount in the future years, given the declining revenue landscape. Staff responded the Reserves* amount is targeted to be 6 to 12 months of fiscal revenue by 2028 and part of the Long-Term Financial Plan, which will be presented next June 2024 Commission meeting.

Committee members reviewed the F5SMC's FY 2024-25 Draft Budget, asked questions for clarification. Committee members endorsed the recommendation for approval of F5SMC's FY 2024-25 Draft Budget and the Use of Ending Fund Balance (Ending Reserves*) to Fund F5SMC's FY2024-25 Draft Budget.

A Motion for Recommend Approval of F5SMC's FY 2024-25 Draft Budget and the Use of Ending Fund Balance (Ending Reserves*) to Fund F5SMC's FY2024-25 Draft Budget was made by Commissioner Cunningham, seconded by Commissioner Boragno. Unanimously approved.

6. Verbal Discussion: San Mateo County Birth Rate projections.

Staff presented a graph showing San Mateo County's birth rate projections and Tobacco Tax Revenue projections from 2010 to 2028. San Mateo County's birth rate shows a 33% declining rate 2010 – 2028.

Committee members reviewed and discussed the graph trend; Committee members cited the agency is facing double declines, given the declining Tobacco Tax Revenue and declining birth rate in San Mateo County.

Commissioner Cunningham adjourned the meeting at 9:55 AM.

DATE: June 10, 2024
TO: First 5 San Mateo County Finance and Administration Committee
FROM: Kitty Lopez, Executive Director
RE: Review and Recommend Approval of F5SMC's Long-Term Financial Plan (LTFP) FY 2024-30 (FY23/24 Update)

ACTION REQUESTED

Review and Recommend Approval of F5SMC's Long-Term Financial Plan (LTFP) FY 2024-30 (FY23/24 Update)

KEY MESSAGES

- Please read the LTFP FY2024-30 (FY23/24 Update) Memo (**Attachment 3**) in conjunction with the LTFP Narrative (**Attachment 3A**) and LTFP Spreadsheets (**Attachments 3B and 3C**).
- Long-Term Financial Plan (LTFP) is a snapshot in time with financial information that continues to change and evolve. The Commission has the opportunity to review and approve an updated LTFP every year.
- F5SMC's LTFP FY 2024-30 (FY23/24 Update) provides 6-year financial planning for the period FY 2024-30, which is the bridge of two strategic plans:
 - ✓ from current strategic plan SPIP FY 2020-25
 - ✓ to the upcoming new strategic plan SPIP FY 2025-30.
- Revenues: two main revenue sources:
 - ✓ 70% of fiscal revenue from F5CA Tobacco Tax revenue to fund F5SMC's Strategic Plan Implementation Plan (SPIP), and
 - ✓ 30% of fiscal revenue from Other Grant Revenues through competitive grant applications (increase from 10% of fiscal revenue in the previous 10 years). Other Grant Revenues help reduce F5SMC's sole financial dependency on the main Tobacco Tax.
- FY 2025-30 Appropriations:
 - ✓ 31% SPIP investments reduction
 - ✓ 18% Operating Budget reduction
 - ✓ Some staffing adjustments.

LTFP FY 2024-30 (FY23/24 Update) – KEY SUMMARY

	FY20-21 Actual	FY21-22 Actual	FY22-23 Actual	FY23-24 Revised Budget	FY24-25 Adopted Budget	FY25-26	FY26-27	FY27-28	FY28-29	FY29-30
Beginning Fund Balance	11,610	12,845	13,075	13,336	12,056	10,175	9,457	8,431	7,162	5,606
A+B. Tobacco Tax & Interest Revenues	6,105	5,821	5,295	4,629	4,286	3,758	3,534	3,383	3,239	3,096
C. Other Grants Revenues	1,112	1,189	1,504	1,715	1,933	600	600	600	600	600
Total Revenues	7,217	7,010	6,799	6,344	6,219	4,358	4,134	3,983	3,839	3,696
Total Available Fund	18,827	19,855	19,874	19,680	18,725	14,533	13,591	12,414	11,001	9,303
Appropriations										
D1. SPIP FY20-23	2,508	3,265	3,613	3,780	3,780	2,600	2,600	2,600	2,600	2,600
D2. SPIP FY20-23 Carry Over	0	0	0	367	533	0	0	0	0	0
D3. SPIP FY18-20 Carry Over	728	79	84	0	0	0	0	0	0	0
E. Other Grants Appropriations	933	901	1,024	1,327	1,715	500	500	500	500	500
F+G+H Operations	1,817	1,768	1,817	2,149	2,071	1,976	2,060	2,152	2,294	2,304
Total Appropriations	5,986	6,012	6,538	7,623	8,099	5,076	5,160	5,252	5,394	5,404
Ending Fund Balance Before Restricted Fund	12,841	13,843	13,336	12,056	10,175	9,457	8,431	7,162	5,607	3,899
Restricted Fund (Pension Liabilities and Operational Reserves)	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Ending Fund Balance After Restricted Fund	10,841	11,843	11,336	10,056	8,175	7,457	6,431	5,162	3,607	1,899

FISCAL IMPACT

- Admin Cost Rate: projected 12% in FY 2023-25 and 17% during FY 2025-30
- At the end of FY 2029-30, projected Ending Fund Balance (after Pension Liabilities and Operational Reserves) is \$1,899 M which is approximate 3.5 months of Total Appropriations.
- FY 2023-25: projected total budget deficit of \$3.159 M. We will continue to draw down Reserves to fund strategic operations.
- FY 2025-30: projected total budget deficit of \$6.276 M. We may continue to draw down Reserves to fund strategic operations.
- At this time, we project from FY 2030 forward, Total Appropriations would be in line with Total Fiscal Revenues.

RECOMMENDATION

Review and Recommend Approval of F5SMC's Long-Term Financial Plan (LTFP) from FY 2024-30 (FY23/24 Update)

LTFP FY 2024-30 (FY23/24 Update) - NARRATIVES

** Please read the LTFP FY2024-30 (FY23/24 Update) Memo (Attachment 3) in conjunction with the LTFP Narrative (Attachment 3A) and LTFP Spreadsheets (Attachments 3B, 3C).*

F5SMC's LTFP FY 2024-30 (FY23/24 Update) are presented in **Attachments 3A, 3B, and 3C** and are updated with:

- (1) F5CA Tobacco Tax Revenue Projections FY2024-28 with Flavor Ban, released January 29, 2024.
- (2) FY 2022-23 Audited Financial Information.
- (3) FY 2023-24 Revised Budget and FY 2024-25 Adopted Budget
- (4) Funding Allocations of Strategic Plan Implementation Plan (SPIP) FY 2023-25, which was approved during the strategic planning process.
- (5) Continue executing the SPIP FY 2020-23 Carry Over Fund in coordination within 2-year time frame of the SPIP FY 2023-25, per previous Commission approval.

I. REVENUES

A. Interest Revenue:

- Interest Revenue is projected 1% Interest Earning Rate on the Beginning Fund Balance.

B. Tobacco Tax Revenue

- Tobacco Tax Revenues include Prop 10 and Prop 56 *Tax Revenues which are allocated to F5 Commissions based on actual birth rate in each county.
- F5CA Tobacco Tax Revenue Projections FY 2024-28 with Flavor Ban ** (released January 29, 2024), reflects:
 - ✓ FY 2023-25: 12% declining rate as the negative impact of Prop 31- Flavor Ban.
 - ✓ FY 2025-30: 4% declining rate with Flavor Ban compared to 3% declining rate without Flavor Ban.

C. Other Grant Revenue:

- FY 2023-25: increase to 30% of fiscal revenue from 10% in the last 4 years. Agency has won various new Other Grants through competitive grant application. Total \$3.648 M Other Grant Revenue (average \$1.824 M /year).
- FY 2025-30: conservative approach to revenue projections with projected \$600K Other Grant Revenues each fiscal year. This projection is based on conservative estimates to historical trend, F5SMC creditability and leadership, trusted relationships with existing funders, and leverage funding opportunities with F5SMC's Strategic Plan.

II. PROGRAM APPROPRIATIONS

D1. Strategic Plan Investment SPIP FY 2024-30

- This LTFP bridges two strategic plans:
 - ✓ from current strategic plan SPIP FY 2020-25
 - ✓ to the ongoing new strategic plan development SPIP FY 2025-30.

- FY 2023-25: Cycle 4 investments are \$3.780M each fiscal year; said investment level was previously approved by the Commission during the strategic planning process in 2017 and 2018.
- FY 2025-30: Cycle 5 investments are projected to be \$2.600 M each fiscal year, which represent 31% reduction from Cycle 4 investments; the new strategic plan development FY 2025-30 (started in May 2024) will help guide future investment strategies and priorities.

D2. SPIP FY 2020-23 Carry-Over:

- Continue implementation of SPIP FY 2020-23 Carry-Over Fund in coordination within 2-year time frame of SPIP FY 2023-25

E. Other Grants Appropriations

- FY 2023-25: Total \$3.648 M Other Grant appropriations (average \$1.824 M/year)
- FY 2025-30: Projected total \$2.500 M Other Grant appropriations (average \$500K/year) pass-through contracts from projected Other Grant Revenue of \$600K/year.

F. Program Operations: for consistent presentation and reading across F5SMC's Budget and F5SMC's LTFP, Operations Section includes:

- ✓ Shared Program Operating Budget: 50% allocation rate of agency Operating Budget with projected 18% reduction of agency Total Operating Budget.
- ✓ Program and Evaluation Staff Salaries and Benefits
- ✓ Shared Admin Staff Time working on Program activities: 27% allocation rate of total Admin salaries and benefits.

III. ADMIN APPROPRIATIONS

G. Shared Operating Budget: 50% allocation rate of agency Operating Budget with projected 18% reduction of agency total Operating Budget

H. Admin Staff Salaries and Benefits: 73% allocation rate of total Admin Salaries and Benefits

IV. RESTRICTED FUND FOR PENSION LIABILITIES AND OPERATIONAL RESERVES

- Commission has approved in previous LTFPs \$1M Pension Liabilities and \$1M for 6-month Operational Reserves, total of \$2M. Restricted Funds are set aside for its intended restricted uses.

V. ENDING FUND BALANCE

- At the end of FY 2029-30, Projected Ending Fund Balance after Pension Liabilities and Operational Reserves is \$1.899 M which is approximate to 3.5 months of fiscal Operating Budget.

**The Proposition 56 taxes reduce tax-paid tobacco purchases (hereafter, “consumption”), resulting in lower revenue for other tobacco tax funds. In the first revenue allocation step, some Proposition 56 revenues replace—or “backfill”—these revenue losses. <https://lao.ca.gov/Publications/Report/3939>*

*** Prop 31 – Flavor Ban on all Tobacco Products was passed in November 2022; The law is effective immediately in January 2023. Prop 31 causes larger negative decline rate of Tobacco Tax Revenue Projections from current 3% to 11% of Tobacco Tax Revenue Projections in 2023 and 2024, then levels off to 6% negative decline rate from 2025 onward.*

FIRST 5 SAN MATEO COUNTY - LONG-TERM FINANCIAL PLAN (LTFF) FY2024-2030 (FY 23/24 Update)

CATEGORY	CYCLE 4					CYCLE 5				
	Y1	Y2	Y3	Y4	Y5	Y1	Y2	Y3	Y4	Y5
	FY20-21 Actual	FY21-22 Actual	FY22-23 Actual	FY23-24 Revised Budget	FY24-25 Budget	FY25-26 Projection	FY26-27 Projection	FY27-28 Projection	FY28-29 Projection	FY29-30 Projection
BEGINNING FUND BALANCE (Beginning Reserves*)	11,610	12,845	13,075	13,336	12,056	10,175	9,457	8,431	7,162	5,607
A. Interest Revenue	145	125	303	350	230	203	95	84	72	56
B. Tobacco Tax Revenue	5,959	5,696	4,992	4,279	4,056	3,555	3,439	3,299	3,167	3,040
C. Other Grant Revenues										
Other Grants (Tobacco Tax) IMPACT Legacy & Hub - Home Visitation	357	395	512	509	509	200	200	200	200	200
Other Non-Tobacco Tax Grants	755	794	992	1,206	1,424	400	400	400	400	400
Total Revenues	7,217	7,010	6,799	6,344	6,219	4,358	4,134	3,983	3,839	3,696
TOTAL AVAILABLE FUND (Total Sources*)	18,827	19,855	19,874	19,680	18,275	14,533	13,591	12,414	11,001	9,303
PROGRAM APPROPRIATIONS										
D1. Strategic Plan Investment SPIP (excl. E. Other Grants)	2,508	3,265	3,613	3,780	3,780	2,600	2,600	2,600	2,600	2,600
Community Investments (Resilient Families, Healthy Children, Quality Care & Education)	2,255	2,939	3,202							
Evaluation	52	46	127							
Policy, Advocacy, & Communications (PAC) & Emerging Projects	201	280	284							
D2. SPIP FY20-23 Carry Over				367	533					
D3. SPIP FY18-20 Carry Over to FY20-23 & No Cost Extension	728	79	84							
E. Other Grants	933	901	1,024	1,327	1,715	500	500	500	500	500
Other Grants (Tobacco Tax) IMPACT Legacy & Hub - Home Visitation	310	348	446	398	398	150	150	150	150	150
Other Non-Tobacco Tax Grants	622	552	578	929	1,317	350	350	350	350	350
F. Program Operations	1,109	1,069	1,114	1,322	1,233	1,170	1,224	1,282	1,393	1,398
Total Program Appropriations (D+D2+E+F)	5,278	5,313	5,835	6,796	7,261	4,270	4,324	4,382	4,493	4,498
ADMIN APPROPRIATIONS										
Total Admin Appropriations (G+H)	708	699	703	827	838	805	836	870	901	906
TOTAL APPROPRIATIONS (Net Appropriations*)	5,986	6,012	6,538	7,623	8,099	5,076	5,160	5,252	5,394	5,404
Surplus / (Deficit) (Total Revenues - Total Appropriations)	1,231	998	261	(1,279)	(1,880)	(717)	(1,026)	(1,269)	(1,556)	(1,708)
Admin Cost Rate	12%	12%	11%	11%	10%	16%	16%	17%	17%	17%
ENDING FUND BALANCE before Pension Liability and Operational Reserves (Ending Reserves*before Pension Liability and Operational Reserves)	12,841	13,843	13,336	12,056	10,175	9,457	8,431	7,162	5,607	3,899
Restricted Fund Set Aside (formerly is read as RESERVES)										
Restricted Fund for Pension Liabilities and 6 months Operational Reserv	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
ENDING FUND BALANCE after Pension Liabilities and Operational Reserves (Ending Reserves* after Pension Liability and Operational Reserves)	10,841	11,843	11,336	10,056	8,175	7,457	6,431	5,162	3,607	1,899

