

Staff Report: Fund Balance Allocation**Background:**

The Commission approved principles for definition of its target fund balance and allocation of its excess fund balance. The Commission's adopted Grant Funding policy states:

Individuals, agencies or organizations wishing to submit a request for grant funding should utilize the Commission's on-line "Apply for Funding" portal, which will contain application templates for:

1. Discretionary funds – for grants in amounts of up to \$5,000, with total funds available released on a pre-set schedule established by the Commission during its annual budgeting process. These grants may be used to fund programs and activities as well as professional development opportunities. First 5 Butte County staff will notify the Commission at its next regular meeting of any discretionary funds awarded.
2. One-time requests for strategic funding – for grants of any amount that represent a strategic use of the Commission's unallocated fund balance, the availability of which the Commission will specify annually on its website. These grants must meet all of the following criteria set forth in the Commission's 2021-2026 Strategic Plan:
 - Prioritize the highest need children in Butte County
 - Address the impact of local disasters on vulnerable families with young children
 - Build and support long-term sustainable impact
 - Positively move an indicator identified in the Strategic Plan
 - Elevate the Commission as a systems partner

The Director will review the completed request for strategic funding and may contact the applicant for further information as needed. The Director will decide whether to place the request on the agenda of the next regular meeting of the Executive Committee or the Commission. If desired by the Commission, the requesting individual, agency or organization must be present at the meeting to address the Commission. Depending on the cost or complexity of the proposal, the Commission may appoint an ad hoc committee or direct staff to refine the request further.

Individuals or organizations submitting a request for grant funding will be notified within 10 business days following any Commission action involving the request for grant funding.

Individuals, agencies or organizations with requests not approved for funding may not present those same requests to the Commission for a twelve-month period after the Commission's action to deny that request for funding.

The Commission's adopted Fund Balance Policy states:

The Commission will function within its annual allocation and maintain a Fund Balance level that meets target requirements as described below. Adjustments to annual budgets will systematically address increases or decreases in revenue, and adjustments to long term fiscal plans will strategically address the sustainability of Commission operations and direct services.

The Fund Balance Target shall be 2.5 years of the previous year's annual Prop 10 revenues, to be split into the following categories:

- Cash flow (15%): funds to cover payments should Prop 10 or other funds be delayed.
- Leveraging (25%): funding to ensure that federal/state funds can be maximally leveraged.
- Opportunities (35%): opportunities that are too good to pass up, or address needs that arise from a local or statewide emergency.
- Funding Reserve (25%): in the event that Prop 10 funds become permanently unavailable, funds to sustain some programs and staff while staff secures additional funds and/or closes down operations.

Funds exceeding the 2.5 year Fund Balance Target shall be referred to as Unassigned. During its annual budget approval process, the Commission may allocate Unassigned funds to programs and initiatives. The remaining Unassigned funds shall be available to be requested for community investment in accordance with the following principles:

- Prioritize the highest need children in Butte County
- Address the impact of local disasters on vulnerable families with young children
- Build and support long-term sustainable impact
- Positively move an indicator identified in the Strategic Plan
- Elevate the Commission as a systems partner

Based on guidance from the Commission at its February meeting, staff shall develop budget recommendations for the incoming fiscal year, and assign budget amounts based on Commission priorities, current and projected Prop 10 distributions, and the current financial condition of the Commission. The dollar amount for the Fund Balance Target and the Unassigned funds for the incoming fiscal year shall be identified and approved by the Commission at its April meeting.

Budget revisions that would require a reduction in the Fund Balance Target during a given year must be approved by the Commission.

Executive Committee Recommendation:

Executive Committee recommends the Commission designate \$500,000 of the Unassigned Fund Balance to be made available to the community for one-time requests, per policy. Requests will be responded to with the following process: 1. Funds are requested through the First 5 website 2. Staff determines appropriateness and completeness of request, and may provide feedback and technical assistance to requestor. 3. Request is presented at a regularly scheduled meeting of the Executive Committee. 4. Executive Committee considers recommendation for inclusion on the Commission agenda. 5. Commission considers requests and either votes to approve or reject, or directs staff to work with requestor to refine the request and bring back at a future meeting.

For reference:

[Commission Policies and Procedures](#)

[Commission Long Term Financial Plan](#)