



The Next 25 Years: Building Sustainability for First 5 Contra Costa County

December 2025



Table of Contents:

Forward: A Message to the Community.....	3	Recommended Actions	23
Introduction	4	Financial	24
Why a Sustainability Plan	5	Operational	26
Declining County Tobacco Tax Revenues.....	7	Programmatic	30
Actions Taken To Lower Spending	7	Policy And Community	31
What is Sustainability?.....	8	Next Steps	32
Key Elements of Sustainability Planning	10	Create Tactical Plan To	
Four Pillars Of Sustainability.....	10	Implement Recommendations	32
Sustainability Planning		Develop Performance Indicators	32
Vs Strategic Planning.....	12	Monitor And Report.....	32
Sustainability Plan Development Process	13	Conclusion.....	33
Working Group	13	Acknowledgments	34
Key Informant Interviews	14	References.....	35
Landscape Analysis	17	Appendix A	36
Key Findings and Observations	19		
Financial	19		
Operational	21		
Programmatic.....	22		
Policy And Community	22		

Foreword:

A Message to the Community

Dear Community Partners, Friends, and Allies,

First 5 Contra Costa is proud to share our 5-Year Sustainability Plan—a roadmap to secure our organization’s future and ensure that, for the next 25 years, children in Contra Costa County grow up **healthy, ready to learn, and supported by safe, nurturing families and communities.**

Created by California voters through Proposition 10, First 5 Commissions were designed to build an integrated, comprehensive, and collaborative system that prepares children for school and life. Today, declining revenues threaten this vision. While statewide efforts to address sustainability continue, First 5 Contra Costa is committed to meeting the growing needs of young children and families in our county.

Doing nothing is not an option. We must leverage the last 25 years of investments to expand and coordinate efforts that set every child on a path to thrive. Our Sustainability Plan outlines bold strategies to stretch our resources, build on community strengths, and drive innovative partnerships. This plan will complement and guide the development of our community priorities established in our Strategic Plan for FY 2026-27 through FY 2030-31.

Since Prop 10’s passage, research has only deepened the case for early investment in children’s health, learning, and family support—especially for those with the fewest resources. **This work is not only urgent but transformational, offering one of the most powerful prevention strategies for long-term community well-being.**

We cannot do this alone. By working together and aligning our strengths, we can co-create solutions that give every child in Contra Costa County the best possible start. **We invite you to join us in this effort**—dreaming, designing, and building a brighter future for our children.

In partnership and community,



Ruth Fernández, EDD
Executive Director



John Jones
Commission Chair



Introduction

Supportive and purposeful early childhood development is shown to set the groundwork for educational attainment, health, and well-being for children far beyond their first five years. In November 1998, California voters approved Proposition 10, the Children and Families Act of 1998, to create a locally driven system of early childhood services statewide. Specifically, this act placed a tax on cigarettes and other tobacco products to fund services and programs for children aged zero to 5.

For 25 years, Proposition 10 funding has supported a network of 58 county First 5 commissions as well as the state-level California First 5 Commission. Programs and services vary by county, with local oversight by appointed board members that include community leaders, practitioners, county officials, and involved parents.

In Contra Costa County, First 5 Contra Costa has served as a funder, convener, advocate, expert, and leader in early childhood systems for more than two decades. Its most recent [Strategic Plan](#)^{*} builds on this strong history and important community role, while also acknowledging uncertainties driven by pandemic-related issues, economic instability for many families in the region, and multiple crises facing families, such as job turnover and mental health needs.ⁱ

This Sustainability Plan is intended to enable First 5 Contra Costa to meet the future with effective strategies in place to continue its work supporting children, families, and communities—for the next 25 years.

^{*}Download at bit.ly/first5contracosta-strategic-plan-2023-2026

Why a Sustainability Plan?



When voters approved Proposition 10, it was no secret that tobacco tax revenue would likely be a declining source of revenueⁱ. The Legislative Analyst's Office wrote the original voter guide description, noting that the increased tax on tobacco products contained in the measure would likely be passed on to consumers, resulting in declining consumption of these products and therefore decreasing revenues over time.ⁱⁱ This assumption has come to pass, with further declines in tobacco usage over time due to additional measures passed by voters as well as effective public awareness campaigns by the state that have contributed to a decline in cigarette consumption that continues year to year.

Proposition 56, enacted by voters in November 2016, placed an additional \$2 per pack tax on cigarettes. While the later proposition included provisions to provide funds to First 5 commissions to backfill lost Proposition 10 revenues, this backfill has not kept pace with the overall decline in tax revenues from tobacco products over time, and total funding from these two sources continues to drop.

ⁱIn this report, we will refer to the combined Proposition 10, Proposition 56, and related funding (such as interest income) provided to the county commissions by the state as "tobacco tax revenues" for ease of reference.



In addition, the state’s ban on flavored tobacco, which took effect in late 2022, caused a significant, short-term drop in sales and related tax revenues, though the economist who provides analysis and projections to California First 5, Brad Williams of Capitol Matrix Consulting, believes we will be reaching the end of that steeper pattern of decline in the near future.ⁱⁱⁱ In the same memo, Mr. Williams notes that inflationary increases in the price of cigarettes have also played a role in reducing sales of those products.

In sum, all of these factors have contributed over time to a situation where many (if not most) county First 5 Commissions, including First 5 Contra Costa, are grappling with the effects of long-term declines in the primary sources of revenue for their programs and services. Statewide, the total tobacco tax revenues allocated to county First 5 commissions dropped from \$342 million in 2014-15 to \$245 million in 2024-25.

Capitol Matrix Partners provided First 5 California a “main” estimate and a “conservative” estimate of tobacco tax revenues over the coming few years, shown in Table 1. Note that some additional smaller funding provided to county commissions, including interest earned on revenues, is not reflected in these numbers.

TABLE 1:
Statewide Proposition
10 + Proposition 56
Funding Projections,
2024-25 to 2029-30

Source: Capitol Matrix Consulting, July 23, 2025 memo to First 5 California. *Reflects Prop 10 funds minus payments to other funds required by the proposition, plus backfill funds from Prop 56. It also includes funds that First 5 California retains for its operations, in addition to the funds it will send to county commissions.

Year(s)	Main Estimate		Conservative Estimate	
	Percent Decline	Revenues*	Percent Decline	Revenues
2024-25	-4.5%	\$287 million	-6.0%	\$286 million
2025-26	-4.5%	\$276 million	-6.0%	\$269 million
2026-27	-4.5%	\$267 million	-6.0%	\$253 million
2027-28	-4.5%	\$259 million	-6.0%	\$240 million
2028-29	-3.3%	\$252 million	-3.6%	\$229 million
2029-30	-3.3%	\$246 million	-3.6%	\$221 million

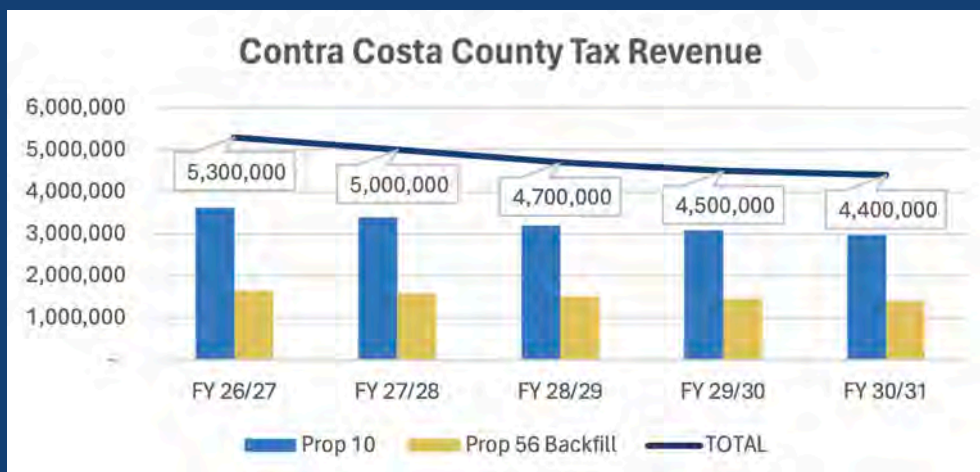
Declining County Tobacco Tax Revenues

For First 5 Contra Costa, annual tobacco tax revenues dropped from \$8.6 million in 2020-21 to \$5.9 million in 2024-25. Revenues are projected to continue declining into the future by 6.0% annually until 2028-29 when the decline is projected to slow to 3.6% according to estimates from First 5 California. The chart in Figure 1 reflects those changes in tobacco tax revenue for the next five years for First 5 Contra Costa.

FIGURE 1:

Contra Costa County Tax Revenue

Source: FY 24/25 Department of Finance birthrate totals, August 15, 2025; FY 25/26 – FY 28/29 projections include 6.0% annual revenue decrease dropping to 3.6% decrease in FY 29/30 and 30/31. (First 5 CA)



Actions Taken to Lower Spending

Over the past several years, First 5 Contra Costa has systematically adjusted its spending to align with reduced state tobacco tax funding levels, demonstrating prudent and strong commitment to fiscal stewardship. This commitment is clearly articulated in its current strategic plan, which articulates conceptual sustainability approaches that are further refined and discussed in this sustainability plan.

On the programmatic side of the organizational chart, leaner spending strategies have included restructuring staff roles and streamlining programmatic efforts to capitalize on natural attrition such as retirements and staff transitions. In addition to reducing the number of program, data, policy, and communications positions, the remaining roles were adapted to be more generalist in nature, rather than being attached to specific programmatic efforts. This approach will enable staff to take on a variety of projects and responsibilities based on their skill sets and strengths, and as the needs of the agency change over time. As a result of these efforts, a relatively lean and adaptable group of talented and knowledgeable program staff remain at the organization today.

On the operations side, First 5 Contra Costa is also assessing role decentralization and exploring greater use of contracted services for technical and intermittent tasks, such as accounting services. In addition, the organization is scrutinizing its operational spending, focusing on its capital assets and spending for rent for its primary administrative offices as well as property owned by the Commission. Currently, First 5 Contra Costa owns two of the buildings that house First 5 Centers and rents space for the other three. Costs for rent and upkeep on the buildings it owns are a relatively significant part of the organization's annual budget.

While consistent efforts to reduce spending have been incrementally integrated into the organization's fiscal planning in the last three years, to achieve long-term sustainability First 5 Contra Costa is now faced with difficult decisions that require more significant reductions in spending in the next two years.

What is Sustainability?

While the needs of young children prenatal to age 5 and their families will remain First 5 Contra Costa's priority, ensuring the sustainability of the organization is imperative to achieving targeted outcomes in the community. Looking into the future, First 5 Contra Costa's sustainability approach strives to **maintain a stable organization; build on and grow investments** for young children and families in the County through public and private funding partnerships; and **leverage the strengths and assets built** over the years to continue to make the case and successfully advocate for sustainable investments in early childhood.

As part of its 2023-2026 Strategic Plan, First 5 Contra Costa adopted a goal to develop and implement a 5-year Sustainability Plan. **Specific sustainability goals included:**



Identify and pursue diversified revenue sources such as local taxes, fees, and other public revenue streams in addition to philanthropic grants, while also exploring ways to match and/or braid external funding with Proposition 10 funds through partnerships;



Strategically and incrementally shift away from programs, activities, and services that are better aligned with local community partner organizations and that are outside the scope of First 5 Contra Costa's three focus areas;



Join advocacy efforts led by the First 5 Association of California, the Bay Area First 5 Executive Director's Group, and other First 5 Network leadership to identify new and stable revenue sources for First 5 Commissions that leverage declining Proposition 10 revenue statewide;



Use data to support and drive actions, including sustainability targets and benchmarks and return on investment; and



Re-evaluate the amount to set aside in a Contingency Fund each year





This Sustainability Plan is the culmination of an eight-month effort to develop a framework for organizational sustainability. The plan identifies a number of short-, medium-, and longer-term strategies to ensure the organization has the resources to continue to accomplish the vision and mission of the First 5 Contra Costa Commission and accomplish the goals set forth in the Strategic Plan, through both internal and external activities that will take place in the coming months and years.

The plan is intended to inform and determine the level of resources available for the upcoming development of the organization's next Strategic Plan. These sustainability strategies will need deeper reviews of fiscal, organizational, and programmatic aspects of the organization to be implemented.

While the needs of young children prenatal to age 5 and their families will remain First 5 Contra Costa's priority, ensuring the sustainability of the organization is imperative to achieving targeted outcomes in the community.

Key Elements of Sustainability Planning

The basic idea of sustainability planning is to plan for the future, often in the face of known challenges, while safeguarding present operations and gaining flexibility to meet the unknown challenges that inevitably lie ahead. Many industries undertake sustainability planning efforts, for various reasons and under a variety of circumstances. In the non-profit and public service sectors, for example, organizations often face tight budgets and serve vulnerable populations. Sustainability in this context is not just about the survival of an organization, but about the continuation of services to communities through mission-driven work, collaboration, and avoiding gaps or harm should changes in funding, leadership, and/or public policy priorities occur.

Four Pillars of Sustainability

To achieve overall sustainability, an organization should attend to four key areas, considering ways to improve each area in order to drive long-term sustainability. **Briefly, the four pillars are defined as:**



Financial Stability

Ensure the organization has a diverse and stable funding base to support its long-term mission.



Organizational Stability

Strengthen internal capacity, leadership, and partnerships to sustain operations long-term.



Programmatic Stability

Ensure that core services and programs remain viable and continue to meet community needs.



Policy and Community Stability

Advocate for system change that supports long-term investments in early childhood programs in Contra Costa County.



Each of these pillars are explained in more detail in the graphic on the next page.

In our process we have considered the current landscape of each of the four pillars, where the organization currently sits in each of the four areas, and what core services the organizations provides. This plan identifies sustainability strategies in each area.

Four Pillars of Sustainability

Each is distinct but connects to the others in multiple ways, creating an interactive synergy across the four pillars.



Financial Sustainability

Ensure the organization has a diverse and stable funding base to support its long-term mission.

- Diversify revenue sources
 - Ex: Reduce reliance on tobacco tax revenues by securing new fund sources
- Address budget imbalances
 - Ex: Reduce spending to live within available resources
- Ensure future flexibility by maintaining a reserve
 - Ex: Establish a fund balance policy and re-establish a contingency fund goal and usage policies



Organizational Sustainability

Strengthen internal capacity, leadership, and partnerships to sustain operations long-term.

- Build strong leadership and governance
 - Ex: Develop a leadership pipeline to smooth transitions in executive roles
- Enhance staff capacity
 - Ex: Invest in staff training and professional development
- Review organization space needs to identify savings
 - Ex: Identify potential savings from consolidating or reducing owned and rented spaces



Programmatic Sustainability

Ensure that core services and programs remain viable and continue to meet community needs.

- Align with community needs
 - Ex: Partner with schools, healthcare providers, and social services agencies to align early childhood efforts across systems
- Evaluate effectiveness
 - Ex: Conduct impact assessments to determine which programs have the greatest return
- Target fundraising efforts to fill identified gaps



Policy & Community Sustainability

Advocate for system change that supports long-term investments in early childhood programs in Contra Costa County.

- Pursue funds to support early childhood investment
 - Ex: Work with statewide networks to push for new ongoing funding
- Increase public and community support for early childhood services
 - Ex: Strategic communication and grassroots engagement
- Embed early childhood priorities in larger systems
 - Ex: Advocate in federal, state and county budget processes

Sustainability Planning vs. Strategic Planning

A key issue to address is the difference between Sustainability Planning and Strategic Planning. **While related, these are not the same thing.**



Strategic Planning

Strategic Planning focuses on setting an organization's vision, goals, and priorities over a defined period of time, typically 3 to 5 years. It charts a specific course to achieve mission-driven success.



Sustainability Planning

Sustainability Planning, on the other hand, is about ensuring the ongoing viability of an organization. In this case, short-term financial considerations are paramount for First 5 Contra Costa, given that revenue from Propositions 10 and 56 continues to decline and the organization has been tapping its reserves to sustain its operations. This plan sets out a series of quick and thoughtful actions, helping the organization to avoid making rash decisions in the face of a growing financial crisis. The plan also includes longer-term actions that can help it stay on the path of sustainability.

In practice, Strategic Planning and Sustainability Planning should be complementary. In our work, we have timed the development and approval of key strategies contained in the sustainability plan to coincide with the upcoming First 5 Contra Costa strategic planning process, to provide an overall sustainability framework for the organization as it embarks on planning its specific programs and activities for the coming strategic plan period.



Sustainability Plan Development Process

A number of activities fed into the development of this Sustainability Plan. These included creation of a Working Group to provide guidance and feedback, informational interviews with a number of key individuals within the county, staff input, analyses of the organization's prior-year and projected fiscal data, and an analysis of the landscape in which the organization operates.

The graphic on the right shows the activities undertaken by the organization during this process, some of which are further discussed below.

Working Group

CEO Cathy Senderling-McDonald of Catbird Strategies LLC served as the project consultant, working closely with Executive Director Dr. Ruth Fernandez and her executive team throughout the eight-month project span. The project was advised by a working group that met 6 times over the project period. Participants included Commission members, the First 5 Contra Costa Executive Director, and key First 5 Contra Costa executive-level staff, detailed in Table 2.

Plan Development Process



TABLE 2:

Sustainability Plan Working Group

Working Group Member	Role
Ruth Fernandez, EdD	First 5 Contra Costa, Executive Director
Sandra Naughton	First 5 Contra Costa, Deputy Director
Kelly Sessions	First 5 Contra Costa, Finance & Operations Director
John Jones	District V, Commissioner/Commission Chair
Susanna Marshland	District I, Alternate Commissioner
The Hon. Candace Andersen	District II Alternate Commissioner, County Supervisor
Gareth Ashley	District IV, Alternate Commissioner



With the help of the Working Group, First 5 Contra Costa and Ms. Senderling-McDonald were able to examine key elements of the organization corresponding to the Four Pillars of Sustainability and discuss ideas and options with a knowledgeable group of engaged partners. This work enabled a robust thought process and encouraged the development of a plan that aims high while also being grounded in the realities of available revenues, the current political and economic climate, and the requirements of Proposition 10.

Key Informant Interviews

To obtain a broader understanding of the organization’s partnerships and the engagement of county officials and leaders with First 5 Contra Costa, Ms. Senderling-McDonald conducted informational one-on-one interviews with 17 key interest holders. This included all current elected Board of Supervisors members; several primary or alternate representatives to the First 5 Commission; representatives from three county departments—Health, Employment and Human Services, and the County Administrator’s Office; First 5 Contra Costa executive staff; and nearly all working group members.

“

We appreciate that First 5 Contra Costa authentically partners with emerging programs, supports systems serving children, and engages with non-profits that are doing well and others that may be struggling. We have seen them as a backbone for early childhood issues in the county, a convener and mover of policy and practice.”

”

Devorah Levine
Executive Director, Leshner Foundation

Suggested interview questions were vetted by First 5 staff and interviewees were informed that their individual responses would be kept confidential, though they would be used in aggregate to assist in developing this plan.

Notable in the interviews was a strong enthusiasm for the work of First 5 Contra Costa and broad agreement on the need to ensure the organization can sustain itself going forward. Those interviewed expressed support for the mission and goals of the organization and often offered to assist in various aspects of implementing the final Sustainability Plan, once completed. As most of the interviewees work outside of the organization itself, they generally had less familiarity with the day-to-day operations of the organization; still, most demonstrated a deep understanding of the overall goals, purpose, and history of First 5 and also had a history of engagement with First 5's Executive Team and other staff in various ways during their careers, as residents of the county, or as Commissioners.

A number of key themes emerged from the informational interviews, which were shared and further examined with the Working Group members. These themes included a number of strength areas noted by the interviewees, with the most frequently mentioned key contributions that First 5 Contra Costa makes to the community being:



A Broker of Services and Support to Strengthen Families

While First 5 Contra Costa does not provide direct services to families and children, it is well-known for contracting for the operation of five First 5 Centers located across the county. The value of these centers was discussed in nearly all interviews.

First 5 also supports training and professional development for providers and drives quality improvement activities for early care and education in the county, which was commonly mentioned. A number of interviewees also mentioned that they had received First 5-supported information boxes in the hospital when their babies were born.



“

With everything at the federal level and how that's impacting the state budget also, First 5 Contra Costa might serve as a trusted messenger for parents about what is going on in other programs they are enrolled in. First 5 may serve the families and children already, so helping them—for example, to keep their Medi-Cal coverage—that's a win-win.

”

Dr. Ori Tzvieli
Director, Contra Costa Health



A Convener of Child-Serving Organizations in the County

First 5 Contra Costa is seen as a community leader and an organization that brings together others that share the mission and goals of ensuring children in our county reach their full potential by focusing on the most critical years of development—prenatal through age 5. Interviewees expressed ideas for the organization to further build its relationships with local organizations, including employers and businesses, cities, school boards, and other family-focused groups.



A Funder of Organizations Working in the Early Childhood Arena

Historically, First 5 commissions have been grantmakers to other local organizations of various sizes doing solid work to support young children and their families. First 5 Contra Costa has a network of current and former grantees and solid relationships that could serve as a springboard for sustainability efforts.



“The Expert” in Early Child Development and Care

First 5 Contra Costa has well-respected staff that are seen as knowledgeable leaders in the area of early childhood, child care, and the needs of young children and their families. Interviewees mentioned this reputation as a potential opportunity to develop new funding partnerships and programmatic opportunities as part of the Sustainability Plan.

Overall, the interviews were highly informative and provided not only a robust picture of how the organization is viewed by its community partners and county leadership but also identified some potential partnerships and opportunities to explore in implementing the Sustainability Plan.



“

We are in need of someone convening the sector together to do group planning. I've seen with efforts in the past, they can kind of lose energy. It's so easy to get pulled in other directions if you're not really focused on early childhood. We need someone who can give that focus to the effort, which First 5 Contra Costa can.

”

John Jones
Chair, First 5 Contra Costa Commission



Landscape Analysis

A number of structural and environmental factors affect First 5 Contra Costa, that are useful to enumerate and consider when developing this plan.

Structural Factors

First 5 Contra Costa was established by the Contra Costa County Board of Supervisors in 1999 as an independent public entity following the California Children and Families Act of 1998 (Proposition 10). Prop 10 allowed counties to structure their First 5 Commissions either as independent entities or as part of county agencies. First 5 Contra Costa was established as an independent public entity under Ordinance No. 99-15.

Other First 5 commissions face similar sustainability challenges to First 5 Contra Costa, prompting studies on the effectiveness of different structural models. For example, in 2018, First 5 Sonoma's Ad Hoc Sustainability Committee conducted a study on its structure as part of the Sonoma County Department of Health Services. The study found that of the 58 counties, 34 had independent entities, 13 were standalone county departments, and nine were embedded within county departments. Several counties, including Sonoma, later converted to independent agencies to improve sustainability, streamline operations, and better meet Prop 10's intent. Sonoma's study led to a unanimous recommendation to become an independent agency, adopted by the Board of Supervisors in March 2019.

While each county is unique, First 5 Sonoma's findings highlight the benefits of independent First 5 Commissions in maximizing operational efficiency and aligning with Prop 10's goals. Many converted commissions reported that independence allowed them to avoid burdensome county regulations and better fulfill their mandate.

In summary, First 5 Sonoma's key findings from their analysis of the pros and cons of converting from a County embedded agency to an independent public agency looked at the factors described below:

1. Operational and administrative efficiency—reductions to staffing costs associated with managing Department and County administrative compliance, cost savings related to staff salaries and benefits, autonomy to procure lean and cost-efficient services (e.g. accounting/fiscal, legal support, IT, telecom, HR).
2. Maintaining public confidence in the Commission's work.

While each county is unique, First 5 Sonoma's findings highlight the benefits of independent First 5 Commissions in maximizing operational efficiency and aligning with Prop 10's goals.

3. Maintaining and enhancing political capital and relationships.
4. Assessing capacity to recreate First 5's infrastructure—determining if the commission and staff have overall organizational bandwidth and infrastructure to operate independently.

The decision to become independent allowed First 5 Sonoma to be more flexible and responsive in grantmaking and in their community convener efforts. Similarly, other counties found that independence improved their ability to deliver early childhood resources effectively.

First 5 Contra Costa's independent structure provides flexibility in administration and operations. It allows for quicker decision-making, streamlined procurement, and more responsive programming, unlike county departments, which require approval from the Board of Supervisors. This autonomy helps First 5 Contra Costa act swiftly to serve families and children.



However, being separate from the county limits First 5 Contra Costa's involvement in county-wide planning for young children's resources. Effective coordination between agencies is critical to avoid duplication, maximize funding, and enhance impact. Some First 5 Commissions, like First 5 Sonoma, have formalized partnerships with their Boards of Supervisors to create interagency agreements and integrate First 5 as the **local early childhood expert** that can partner with the county as an intermediary and disseminate county funding on behalf of the county and its departments.

By intentionally relying on First 5 Contra Costa's expertise and flexibility, the county could achieve cost savings, better coordination, and greater impact across the early childhood system. These efficiencies not only support First 5 Contra Costa's sustainability but also strengthen the County's overall service delivery for young children and their families.

Environmental Factors

In addition to the above-mentioned challenges facing all local commissions related to tobacco tax revenue declines, First 5 commissions also are operating in an uncertain moment with regard to state and federal support and policies for child development, health, and human services related programs. The current-year California state budget already reflects vulnerabilities in terms of cost overruns in major programs such as Medi-Cal (the state's Medicaid health care program); however, the advent of the second Trump Administration in January 2025—including nearly immediate funding freezes and the passage of H.R.1, the "One Big Beautiful Bill"—has created further uncertainty across most governmental service providers. All of this federal-level unpredictability will almost certainly make it significantly more difficult to secure additional federal or state funding or seek policy changes that could be helpful to First 5 Contra Costa and other First 5 commissions facing budgetary pressures due to declining tobacco tax revenues.

Key Findings and Observations



The issues facing First 5 Contra Costa are largely financial in nature, driven by the decline in tobacco tax revenues and the drawdown of reserves over time. While there are both findings and recommendations in the other areas—operational, programmatic, and policy/community focused—the primary findings and, as a result, the primary recommendations, are driven by these financial realities.

Financial

- **Deficit budgeting has reduced reserve fund balance significantly**

First 5 Contra Costa has developed a pattern of deficit spending in each fiscal year, assuming a draw-down of its reserve funds to make up the difference between revenues and expenditures. The amount drawn from reserves has fluctuated and often been less than budgeted, but the fund balance is now at a point where its use as a balancer cannot be sustained. If current trends continue, the organization's fund balance will be exhausted after FY 30/31, causing a need for immediate and drastic action. Table 3 shows the current/status quo budget projections if changes are not made to reduce spending, increase revenues, or both.

TABLE 3:

Year End Projections with Status Quo Budget – FY 25/26 to 30/31

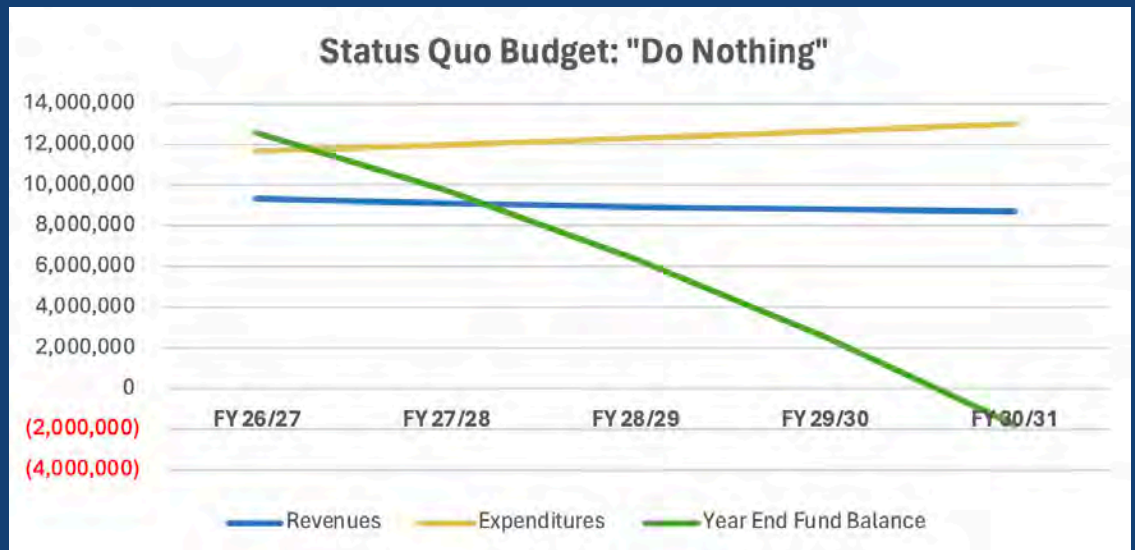
	FY 26/27 Projected	FY 27/28 Projected	FY 28/29 Projected	FY 29/30 Projected	FY 30/31 Projected
Revenues					
Prop 10 Tobacco Tax	3,618,616	3,401,499	3,197,409	3,082,303	2,971,340
Prop 56 Backfill	1,648,825	1,582,665	1,519,159	1,458,202	1,411,748
CECET	98,841	98,841	98,841	98,841	98,841
State Grant Income	3,103,042	3,179,879	3,258,618	3,339,308	3,421,995
Other	860,265	846,997	833,994	821,251	808,763
Total Revenue	9,329,589	9,109,881	8,908,022	8,799,904	8,712,687
Expenditures					
Total Operating Expenses	11,682,694	11,975,921	12,299,216	12,649,758	13,025,376
Other financing sources/uses (leases)	11,207	11,767	12,356	12,973	13,622
Net Position Begin of Year	14,918,994	12,577,095	9,722,822	6,343,983	2,513,370
Net Position End of Year	12,577,095	9,722,822	6,343,983	2,507,103	(1,785,697)
Net Change in Fund Balance	(2,341,898)	(2,854,274)	(3,378,839)	(3,836,880)	(4,299,067)

- Current spending cannot be sustained with current revenues.

Due to the declines in tobacco tax revenues and the reduced fund balance, the organization can no longer continue spending at the same rate without seriously jeopardizing its financial stability, as indicated in Table 3 and in Figure 2:

FIGURE 2:

FY 25/26 to 30/31 Year-End Projections Under Status Quo Budget



In addition to shifting its spending approach, the organization will focus its fiscal efforts to ensure cost-effective and flexible business practices that support long-term diversification of funding. To address fund balance depletion, the intent is to preserve and eventually grow its fund balance. Emphasis will be placed to maintain lean overhead costs and to the extent possible minimize fiscal reductions to community investments. Parallel to this effort, First 5 Contra Costa will lead efforts to identify new funding partnerships and to coordinate pooled funding efforts through public-private partnerships—the hope is that these parallel strategies will help avoid drastic impacts to the community.

• **Diversifying revenues should be a critical focus.**

In addition to continuing efforts to strategically reduce spending, pursuing new revenue streams, funding agreements, and partnerships to leverage resources will help the organization sustain its operations and programming while continuing to advance its mission over time.

Operational

• **The organization’s structure has caused it to miss out on past financial opportunities.**

As a governmental entity, the organization is neither a charitable non-profit nor a county department. Up to this point, it has operated in a gray area that has caused it to miss out on funding that could have been used to support its work, such as donations and grants available only to non-profit (i.e., 501(c)(3)) organizations.

Some other First 5 Commissions have created 501(c)(3) organizations. In a survey First 5 Contra Costa sent out as part of this project, responding commissions provided some details on why they had created their non-profits. Reasons they gave are summarized in Table 4, but generally centered around greater flexibility for the organization and more potential opportunities for partnerships and funding.

<div>TABLE 4:</div> <div>Main Reasons Cited by Commissions for Establishing a 501(c)(3) Organization</div>	What were your main reasons for establishing a 501(c)(3)?
	Ability to apply for private or philanthropic funding
	Increased flexibility in programming and partnerships
	Tax deductibility for donors
	Expanded community engagement opportunities
	Other: To take advantage of a specific tax credit program

• **Organizational staffing shifts have been a good start, but more is needed.**

First 5 Contra Costa has changed its approach to staffing, creating a more flexible operation and taking advantage of natural attrition to reduce positions. However, some major cost centers for the organization persist, especially on the administrative side of the ledger. In particular, costs for rent (for the organization’s main office, as well as three First 5 Centers) and upkeep of the two buildings it owns are significant.

Programmatic

- **Strategic Planning will bring an opportunity to review programs.**

Knowing that this Sustainability Plan is feeding into the next strategic planning process, our efforts have focused more on the fiscal and operational aspects of the organization. However, it is clear that consideration of what community needs to prioritize in the face of declining revenue and needed spending reductions, how to best to continue driving system-level changes in the county, and where new partnerships may be possible, are all likely decision points in the next planning process.

Policy and Community

- **First 5 Contra Costa is a respected partner in the community.**

It is clear from the key informant interviews and other aspects of the sustainability planning process that First 5 is viewed as a leader and an important asset to the county and its communities. This gives it an important voice as well as bringing opportunities to explore new partnerships with both public- and private-sector organizations.

- **New state-level funding is not imminent.**

With the current political climate at the federal level and the state facing potentially significant budget challenges due to lost federal funding and impacts of H.R. 1, the budget reconciliation package signed by President Trump in July, new ongoing state-level funding will be difficult to obtain for the foreseeable future. First 5 commissions and their statewide association will not stop their ongoing advocacy for new state funding, however, but it will likely be a longer-term effort than hoped.



Recommended Actions



The most urgent goals of the Sustainability Plan are for First 5 Contra Costa to (1) reduce spending to live within its means and (2) bring in sufficient funding to support its day-to-day operations in the short term and to meet its overarching mission over time. Achieving these goals will take actions across the Four Pillars, as recommended in this section.

For purposes of these recommendations, we have used a 5-year time horizon starting FY 2026-27 through FY 2030-31, shown in Table 5.

TABLE 5:

**5-year time horizon,
FY 2026-27 - FY 2030-31**

Time Horizon	Plan Years
Short Term	Years 1-2
Medium Term	Year 3
Long Term	Years 4-5

Financial

The actions recommended here are aimed at reducing spending and increasing funding to ensure the organization has a diverse and stable funding base to support its operations as well as its long-term mission.

Short Term

- Reduce Costs and Spending to Live Within Available Funds.**

To avoid depleting reserves, the organization will systematically budget for operations without tapping its fund balance, beginning in FY 27/28. Operational spending will be based only on available state tobacco tax revenues and other external funding dedicated to delivering specific services or reaching particular community outcomes. Doing so will also preserve fund balance in excess of \$12 million in FY 27/28 and for years going forward, as shown in Table 6 and Figure 3.

TABLE 6:

Year End Projections with Spending Reductions Starting FY 27/28

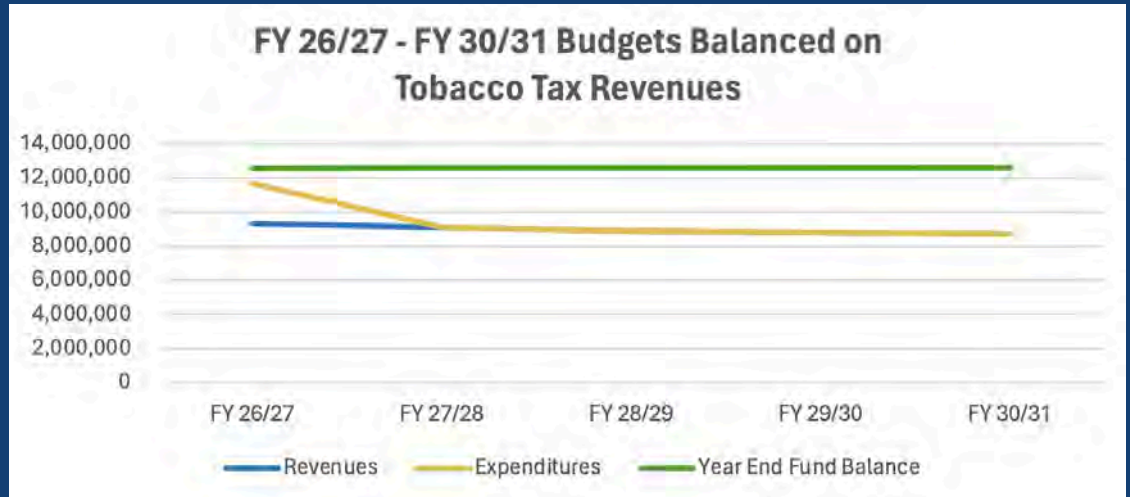
	FY 26/27 Projected	FY 27/28 Projected	FY 28/29 Projected	FY 29/30 Projected	FY 30/31 Projected
Revenues					
Prop 10 Tobacco Tax	3,618,616	3,401,499	3,197,409	3,082,303	2,971,340
Prop 56 Backfill	1,648,825	1,582,665	1,519,159	1,458,202	1,411,748
CECET	98,841	98,841	98,841	98,841	98,841
State Grant Income	3,103,042	3,179,879	3,258,618	3,339,308	3,421,995
Other	860,265	846,997	833,994	821,251	808,763
Total Revenue	9,329,589	9,109,881	8,908,022	8,799,904	8,712,687
Expenditures					
Total Operating Expenses	11,682,694	9,109,881	8,908,022	8,799,904	8,712,687
Other financing sources/uses (leases)	11,207	11,767	12,356	12,973	13,622
Net Position Begin of Year	14,918,994	12,577,095	12,588,862	12,588,862	12,601,218
Net Position End of Year	12,577,095	12,588,862	12,601,218	12,601,836	12,614,840
Net Change in Fund Balance	(2,341,898)	11,767	12,356	12,973	13,622

Once this is accomplished, the organization may wish to consider adopting a two-year budget cycle for planning purposes, which could help to better set goals for revenues and expenditures over time, set fundraising and development goals, and work with Commission members to plan ahead for needed changes in programming and operations to maintain a fiscal reserve.²

²Note that a two-year approach to budgeting does not eliminate the need for fiscal-year reporting to control agencies, audits, or other annually required budgeting and accounting work; it should be considered as more of a planning support than a cost-saving measure.

FIGURE 3:

FY 26/27 - FY 30/31 Budgets Balanced on Tobacco Tax Revenues



- **Establish a Fund Balance Policy with a Contingency Fund**

The organization has not had a policy regarding the maintenance of a fund balance or contingency reserve. Like many other First 5 commissions, the fund balance built up in years when tobacco tax revenues were healthier has been used to offset more recent revenue declines and uncertain state funding.

With the reserve now at a significantly lower level, First 5 Contra Costa will:

1. Re-establish a goal for a contingency fund level. Until the Strategic Plan adopted in Fiscal Year 2020-21, First 5 Contra Costa maintained an Emergency Reserve of \$7.5 million. Having a contingency fund gives the organization flexibility to respond to urgent needs or seize opportunities that may arise. Having funds in reserve also makes organizational decision-making less reactive and more purposeful; it provides breathing room to evaluate options and make thoughtful, mission-aligned choices.
2. Establish a policy for use of the contingency fund, setting forth circumstances under which fund balance dollars not already committed could be utilized, and how to replenish the reserve if possible.

Ultimately, should tobacco tax revenues become permanently unavailable, the reserve amount should be sufficient to sustain baseline programs for approximately one year while staff secures additional funding and/or begins the process to close operations.

Short to Medium Term

- **Establish Baseline Funding Goals with Fund Development Goals Year-to-Year**

Related to the short-term effort identified below in the Organizational category, in which the organization will seek to add internal capacity to fundraise from a variety of potential sources, this goal seeks to identify the minimum level of funds needed to support the organization's basic operations, while setting fund development goals for the organization to grow or develop programmatic offerings over time.

This plan does not pre-establish any specific development goals for particular types of funding, as this will need to be part of the discussion and decision-making process internally with staff input, as well as with support and input from the Commission and other partners.



Organizational

The actions in this section target the need to build organizational capacity for fund development, while continuing to work collaboratively with staff to implement the changes and opportunities it may bring for the team. The strategies discussed in this section are also aimed at developing a longer-term plan for ensuring the structure of the organization matches its needs.

Short Term

- **Review Owned and Rented Space and Identify Changes to Reduce Costs**

As noted previously, the cost of rent and building operations for the First 5 Centers and the First 5 Contra Costa administrative offices are a relatively significant component of the budget. The organization should review its space needs to determine if there are options to reduce or offset costs for rental and owned properties. Additionally, as the organization completes its strategic planning process for the next five years, consideration should be given to service models at the First 5 Centers that integrate co-location, shared spaces, virtual services, and pop-up opportunities that make participation more accessible to families and decrease dependency on brick-and-mortar locations.

This analysis should include a review of current and projected expenditures for rent, taxes, upkeep and other capital outlay, as well as the risks and benefits of maintaining vs. shifting away from the current locations. This should include an analysis of the market and potential sale proceeds of buildings currently owned as well as a consideration of how funding received through such a sale would be used over time as part of the overall sustainability plan. The organization should also consider whether some of the locations it currently rents or owns might be able to support operations of partner organizations through shared spaces that could help offset costs.

- **Establish Organizational Fund Development Capacity**

Up to now, the organization has not had a dedicated position for fund development or fundraising. The Executive Director and program staff have taken on this role, and while the Executive Director would continue to play a key role in this work, having staff with the skills and dedicated time for fundraising, seeking partnerships, developing agreements, and monitoring success is critical. This could include development of capacity within existing staff, establishing contracted positions, and/or establishing a new internal staff position. It could be helpful to consider offering professional development opportunities for existing staff, depending on their skills and interest in this type of work.

Due to the potential to pursue various funding types and sources, careful consideration should be given to the strengths, experience and skills that will be needed to obtain the types of funds that would be the best fit for the organization, and whether the role should be concentrated within one staff position or spread across multiple positions. Establishing goals and actively managing these efforts, with appropriate accountability, will be critical.

- **Create a 501(c)(3)-Status Organization Under First 5 Contra Costa**

The organization has been considering the idea of creating a separate organization incorporated as a 501(c)(3) for fundraising purposes. Some organizations—including both public and private funders—require such a designation for their grantees. As a result, First 5 Contra Costa has missed opportunities to apply for funding in the past.

After consulting with the Working Group and with other First 5s that operate separate 501(c)(3) organizations, the recommendation is to develop a 501(c)(3) for First 5 Contra Costa. There will be some small upfront costs (estimated at less than \$15,000) to properly start up and register the organization and ensure its documents of incorporation are consistent with the mission, vision and goals of the Commission, as well as some small costs (estimated at \$5,000 per year) to ensure compliance with reporting requirements. It is not recommended to separately staff the organization, but to instead use First 5 Contra Costa staff within their existing duties to provide any needed support.

Overall, the flexibility afforded by the existence of this organization in terms of fundraising and tax-deductibility for donors should outweigh the costs, based on the feedback received from First 5 Commissions that have created a 501(c)(3).





Short to Medium Term

- **Continue Reviewing Organizational Needs and Revising Staffing Patterns**

In a continuation of the work that predated the development of this plan, the organization should continue to review its staffing and make adjustments as needed to support a leaner approach to operations, without compromising quality or goals.

- **Diversify Funding Streams by Expanding and/or Developing New Relationships.**

Although as mentioned in the landscape section that many private and public funding sources are currently being reduced or eliminated due to the political climate, there are opportunities for new partnerships within the county—with cities, school boards, corporations, and the county itself—which could bring the potential for new one-time or ongoing funding streams, service expansions, and other means of either lowering First 5 Contra Costa's costs or enhancing its efforts.

- **Establish an early childhood focused funder collective with private philanthropy**

First 5 Contra Costa will lead the effort to establish an Early Childhood Funders collective that can intentionally pool funds for targeted needs and issue areas in early childhood. Given the current gaps in services and funding for underserved communities, public and philanthropic funders have an opportunity to prioritize public-private partnerships. By sharing responsibility and aligning resources, these collaborations can maximize impact, promote innovation, and create more sustainable solutions than any one sector could achieve alone.

- **Create more interagency agreements to formalize relationships with key county departments**

These include departments such as the Health Department (Contra Costa Health) and Employment and Human Services Department (EHSD), which serve similar populations in many of their programs. This could result in new service partnerships that leverage multiple public funding streams and maximize use of resources for the intended audiences.

Several counties, including some in the Bay Area, already rely on their First 5 Commissions to manage local ballot measure funds supporting early childhood initiatives. This model ensures strong fiscal accountability, alignment with community priorities and knowledge of the early childhood landscape, and coordinated service delivery.

Positioning First 5 Contra Costa to leverage its expertise as the County's expert and go-to public entity solely dedicated to coordinating early childhood planning, collaboration, and—when appropriate—discretionary funding initiatives that would create new opportunities for efficiency, flexibility, and cross-system collective impact. This approach positions the County and its partners to more effectively direct resources where they are needed most—toward improving outcomes for young children and families across Contra Costa County.

First 5 Contra Costa's twenty five years of experience as a local public funder, convener and innovator puts the organization on solid footing to take on a broader and greater role to lead the administration of early childhood-related initiatives. **There is great opportunity to more intentionally maximize the authority given to First 5 commissions by Prop 10 statute to achieve greater local coordination through more flexible service delivery systems that in turn leverage community and county assets in Contra Costa County.** This intent is clearly articulated in Prop 10's statute Division 108, Section 130100 (a):

"It is the intent of this act to facilitate the creation and implementation of an integrated, comprehensive, and collaborative system of information and services to enhance optimal early childhood development. This system should function as a network that promotes accessibility to all information and services from any entry point into the system. It is further the intent of this act to emphasize local decision-making, to provide greater local flexibility in designing delivery systems, and to eliminate duplicative administrative systems."



Designating First 5 Contra Costa as the County's central coordinating entity for early childhood planning, collaboration, and—when appropriate—funding distribution initiatives would create meaningful efficiencies, enhance flexibility, and strengthen collective impact.



As an example of what is possible, Appendix A included in this report contains information on several initiatives that other county First 5 Commissions operate or contribute to, with funding from other local and external sources. Some of the counties selected for these examples not only blend Prop 10 with other public and philanthropic funding sources but also have designated their local First 5 Commission as the lead administrator for early childhood revenue generated by voter approved ballot measures.

- **Develop relationships with cities and school districts**

These entities may be able to offer space for First 5 services, trainings, or other programming, or be willing to establish funding partnerships aimed at better supporting families and young children served by multiple agencies and organizations.

Programmatic

As fiscal and operational changes come into focus, the impacts to programmatic offerings will become more clear. Syncing this plan with the timing of First 5 Contra Costa's next 5-year Strategic Plan is a purposeful way to gather information and feedback from community members and partner organizations, as well as set priorities for the coming years in light of other changes taking place.

Short to Medium Term

- **Conduct Strategic Planning in Concert with Sustainability Efforts.**

As the organization develops its next strategic plan, it will be critical to identify which areas of community-focused work should be prioritized based on First 5 Contra Costa's ability to make an impact and our current understanding of need within the county.

Unlike the sustainability planning process which was a largely "internal" process, the strategic plan process will by design include input from the community, including families, partner organizations, and other key stakeholders. First 5 plans to use the strategic planning process to also help the community and stakeholders learn about the agency's sustainability plan and direction for the future.

Policy and Community

Over time, First 5 Contra Costa has played an active role in advocating for policies that support early childhood development. The organization also has an opportunity to increase its efforts in Contra Costa County to place children and families at the forefront of policy, budgeting and services discussions.

Short Term

- **Develop Communications Plan to Share Sustainability Efforts.**

In partnership with the state First 5 Association, elected officials, the First 5 Contra Costa Commission, and others, First 5 Contra Costa will discuss its development of a sustainability plan, one of the first few plans of this nature created by a county First 5 commission. This can help jump-start local efforts as well as bringing state-level attention to the needs of First 5 Commissions and the populations they serve.

Long Term

- **Take the Lead in Establishing a county specific Community Children's Fund.**

Many localities have developed funds or endowments of this nature to support programs and services for children. With its existing role as a convener and leader in early childhood development, First 5 Contra Costa would be a natural choice to pull together a representative community group to develop the concept and create a governance structure. Establishing a 501c3 status for First 5 Contra Costa will support the creation of a governance structure that can lead efforts to establish a 'community fund' that will pool donor contributions and charitable assets dedicated to local programs, non-profits, and/or initiatives that advance the optimal development and education of young children and their families.

Ongoing

- **Continue Efforts to Create Sustainable Alternative State-Level Funding to Proposition 10/ 56.**

Through the statewide First 5 Association, continue to actively engage in efforts to develop new funding sources for First 5 Commissions. This is likely a multi-year effort and may involve a return to the ballot; the experience of First 5 Contra Costa in developing this sustainability plan, and making the necessary adjustments to continue operations in light of declining resources, will be instructive to lawmakers and policy leaders.

Next Steps



Create Tactical Plan to Implement Recommendations

Many of the recommendations in this Sustainability Plan are considered to be short-term and somewhat urgent in nature given the decline in revenue and the pace at which the organization has tapped its reserves to cover funding gaps. The first step for the organization will be to take the recommendations in this plan and build out a plan with action steps and a timeline for accomplishing these tasks.

Developing the recommended communication plan will require First 5 Contra Costa to think through how to frame and talk about this sustainability work and can help to jump-start the process of developing new connections and partnerships within the community. Making decisions about how to “roll out” public communications about this process is a key step.

Develop Performance Indicators

How will the organization know when it has achieved success in delivering on the goal of long-term sustainability for the organization? Simply checking off boxes on a plan is not enough to declare victory, and much of the work started by this plan—even recommendations labeled “short term”—will almost certainly be ongoing. It will be important to work with Commission members, staff and key stakeholders to define and measure success in this effort over the next five years.

Monitor and Report

Regular reporting at Commission meetings and internal staff meetings on progress and activities related to the Sustainability Plan will be critical to ensuring ongoing engagement, attention, and progress.



Conclusion

The thorough and thoughtful efforts of the Working Group, the executive team and staff of First 5 Contra Costa, and the many others who contributed to this Sustainability Plan is groundbreaking. Every First 5 commission has conducted strategic planning and summarized their activities and successes in annual reports for the past 25 years. This process, however, has held up a light to the finances and operations of First 5 Contra Costa in a new and deeper way, forging a path towards long-term sustainability for the organization and taking stock of its position in the community along the way.

The insights gained through this effort are invaluable and set the organization on a path to success for years to come. We hope it serves not only as a roadmap for First 5 Contra Costa, but as a guide for other organizations wishing to do the same.

Acknowledgements

The successful development of this plan would not have been possible without the contributions of many individuals, who we thank for their time and efforts.

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Hon. Candace Anderson, Chair, District 2 Supervisor

Hon. Diane Burgis, District 3 Supervisor

Hon. Ken Carlson, District 4 Supervisor

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ⁱⁱ Legislative Analyst's Office, November 1998. Proposition 10: State and County Early Childhood Development Programs. Accessed at https://lao.ca.gov/ballot/1998/10_11_1998.htm

ⁱⁱⁱ Brad Williams, Senior Partner, Capitol Matrix Consulting, July 23, 2025 memo to First 5 California, "Tobacco Tax Revenue Projections – California Children and Families First Trust Fund," accessed at <https://simbli.eboardsolutions.com/Meetings/Attachment.aspx?S=36031642&AID=1192454&MID=36680>

Appendix A

First 5 Commissions Leveraging Funds Across Local and External Sources

Commission	Program	Funding Sources
Yolo	<p>Welcome Baby: Road to Resilience: provides vital, early services to families living in Yolo County with a child under the age of two. Families receive in-clinic resource navigation, a nurse home visit postpartum and follow-up, and, as needed, longer-term intensive home visiting services during pregnancy and the child's early years. WB:R2R's tailored, early approach enables timely identification and intervention to promote maternal and child health, prevent child maltreatment, and build a foundation for early learning and school readiness.¹</p>	<p>Local Funds:</p> <ul style="list-style-type: none"> • First 5 Yolo • County Board of Supervisors • City of Davis • City of Woodland • City of West Sacramento <p>External Funds:</p> <ul style="list-style-type: none"> • CA Dept of Social Services Office of Child Abuse Prevention • American Rescue Plan (ARP) funds allocated by Yolo County Board of Supervisors and local cities • First 5 California Home Visiting Coordination Grant • Private Donors <ul style="list-style-type: none"> • Medi-Cal - CA Dept of Health Care Services (DHCS): • Child and Youth Behavioral Health Initiative (CYBHI) • CalAIM Community Health Worker Services (CHW) • CalAIM Enhanced Care Management (ECM) • Sutter Health • Dignity Health <p>In-Kind Partners:</p> <ul style="list-style-type: none"> • UC Davis Health Equity Across the Lifespan Lab • UC Davis Health • Sutter Davis Hospital • Dignity/Woodland Hospital • Kaiser Permanente • Capital OB/GYN

First 5 Commissions Leveraging Funds Across Local and External Sources (continued)

Commission	Program	Funding Sources
Santa Clara	<p>Home Visiting Programs: In a comprehensive study published in November 2024, Santa Clara County's First 5 mapped funding amounts and sources for every home visiting program in operation in the county, some of which are funded by First 5.</p> <p>All home visiting models in the county except for Head Start rely on at least two sources of funding, and several braid and/or blend funding from even more.²</p>	<p>Early Childhood Mental Health Outpatient Consortium</p> <p>Local Funds:</p> <ul style="list-style-type: none"> Behavioral Health First 5 <p>External Funds:</p> <ul style="list-style-type: none"> DHCS/Medi-Cal <p>The funding sources listed here are for the Early Childhood Mental Health Outpatient Consortium, which represented 53% of funding for home visiting identified in Contra Costa County in FY23-24. The program has an annual capacity of 1,800 slots.</p>
Solano	<p>Early Learning Center: First 5 Solano County has raised funds from a variety of sources to purchase and redevelop a former school site in Vallejo. When complete, the ELC will house multiple service providers, including early care and education providers, as well as bringing together other services for families and children.³</p>	<p>Local Funds:</p> <ul style="list-style-type: none"> \$2M - County Board of Supervisors \$30,000 County Board of Education \$61K - Vallejo City Council \$4.47M - First 5 Solano \$2.86M - Child Start Inc. <p>External Funds:</p> <ul style="list-style-type: none"> \$500K – Federal earmark \$1M – Syar Foundation grant \$5M – State Earmark \$1M – State Earmark \$200K – Irwin Foundation
Alameda	<p>Collaborative Diaper Distribution Program: Administered by SupplyBank.org, this partnership will distribute \$5.8 million in diapers over three calendar years (2025-2027) at sites such as Family Resource Centers, WIC locations, and Resource and Referral agencies.⁴</p>	<p>Local Funds:</p> <ul style="list-style-type: none"> First 5 Alameda County Social Services Agency Alameda County Health Alameda County Probation Department

Sources:

¹The First 5 Center wrote a recent blog post about the Welcome Baby Program, at: <https://first5center.org/blog/first-5-yolo-countys-welcome-baby-program>;

²First 5 Santa Clara's full report on home visiting programs is available at: <https://first5kids.org/wp-content/uploads/2025/03/Feasibility-Study-for-the-Expansion-of-Home-Visiting-Services-for-Children-11-1-2024.pdf>

³First 5 California, "Sustainability, Diversification & Capacity Building: A Playbook for Local First 5 Commissions," October 2024

⁴First 5 Alameda, "Strengthening system partnerships through collaborative investments in diaper distribution program," January 2025, accessed at: <https://www.first5alameda.org/strengthening-system-partnerships-through-collaborative-investments-in-diaper-distribution-program/>