



FIRST 5 ALAMEDA COUNTY COMMISSION MEETING AGENDA

Thursday, June 28, 2012

**First 5 Alameda County
1100 San Leandro Blvd., Suite 120
San Leandro, CA 94577
Conference Room A**

9:00 AM – 11:30 AM

Commissioners: *Chair:* Pamela Simms-Mackey M.D., *Vice Chair:* Helen Mendel, CMD, Alex Briscoe, Keith Carson, Ricky Choi, M.D., Renee Herzfeld, Lori Jones, Deborah Roderick Stark, Albert Wang, M.D.

- 1. Public Comment**
- 2. Approval of Minutes from May 3, 2012**
- 3. Help Me Grow Presentation**

CONSENT

- 4. Final Reading of FY 2012-13 Budget**
- 5. Final Reading of FY 2013-17 Long Range Financial Plan**
- 6. GASB 54 Recommendation**
- 7. Investment Report for the period July 1, 2011 – March 31, 2012**
- 8. Financial Report for the period July 1, 2011 – March 31, 2012**
- 9. Investment Policy Recommendation**
- 10. ACERA 401(h) Account Authorization**

INFRASTRUCTURE

- 11. F5AC Strategic Partnership Project**
- 12. FY 2011-13 Contract Authorizations**
- 13. FY 2012-13 Budget- Contract Authorizations**

PROGRAM

- 14. FY 2013-17 Strategic Plan Process Update**

15. **Final Reading of FY 2012-13 Strategic Plan**
16. **State Commission & Association Updates**
17. **Legislation and Public Policy Updates**
18. **Office Space Update (CLOSED SESSION)**

MISCELLANEOUS

19. **Staff Announcements**
20. **Communication from Commissioners**
21. **Adjournment**



FIRST 5 ALAMEDA COUNTY COMMISSION MEETING MINUTES

Thursday, May 3, 2012

**First 5 Alameda County
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Conference Room A**

9:00 AM – 11:30 AM

Commissioners: *Chair:* Pamela Simms-Mackey M.D., *Vice Chair:* Helen Mendel, CMD, Alex Briscoe, Keith Carson, Ricky Choi, M.D., Renee Herzfeld, Albert Wang, M.D.

Meeting called to order at 9:06am.

1. Public Comment

There was no public comment.

2. Approval of Minutes from February 23, 2012

Commission Action: The Commission approved the February 23, 2012 minutes upon motion by Vice Chair Mendel, seconded by Commissioner Herzfeld and unanimously carried (5 in favor, 0 opposed).

INFRASTRUCTURE

3. San Francisco Foundation Proposal

Mark Friedman, CEO presented the San Francisco Foundation Proposal to the Commission. He stated that First 5 staff were approached in February by Nick Hodges, a Vice-President at the San Francisco Foundation and Krishen Laesch, a consultant to the SF Foundation. We have had several subsequent meetings with Mr. Hodges, Sandra Hernandez, the CEO of the SF Foundation, and their CFO about transferring First 5 Alameda County sustainability funds to the Foundation in order to have them available for future First 5 program expenditures and to leverage those funds with potential additional donations.

He stated that the foundation would charge us 50 basis points for managing this fund. On an initial investment of \$10 million that would be \$50,000. Originally we discussed setting up the equivalent of a donor advised fund within the San Francisco Foundation structure. However, SF Foundation staff have determined that using a “supporting organization” is preferable. A supporting organization would be affiliated with the SF Foundation, but have its own board of directors, several of whom would be First 5 Alameda County Commissioners or staff. The SF Foundation already has several supporting organizations established and if the Commission enters into an agreement with the SF Foundation one of those existing organizations would be selected to receive

First 5 funds. The bylaws of the organization would be determined by mutual agreement and we would certainly set up parameters that restrict expenditures to purposes consistent with the First 5 Alameda County strategic plan and future strategic plans.

He stated that among the most attractive opportunities presented by such an arrangement would be the potential to attract additional funding to be used to assist young children in Alameda County. Donors would be able to make tax deductible contributions easily and existing SF Foundation donors would be offered the opportunity to contribute.

He stated that he and Mark Rasiah, met with First 5 Alameda County's attorney James Harrison and his initial opinion is that such an arrangement would be legal and that using the supporting organization as a vehicle to attract additional funding would make it clear that this structure has a purpose other than just sheltering funds.

He stated that if the Commission decides to proceed with the exploration of this opportunity we would prepare an RFP to allow other philanthropic entities like the East Bay Community Foundation, Philanthropic Ventures, and the First 5 Foundation to submit proposals.

Commission Action: The Commission approved the San Francisco Foundation Proposal upon motion by Vice Chair Mendel, seconded by Commissioner Herzfeld and unanimously carried (5 in favor, 0 opposed).

4. First Reading of FY 2012-13 Budget

Mark Rasiah, Controller presented the First Reading of the FY 2012-13 Budget to the Commission for approval.

He stated that the revenue and expense projections are presented with a comparison to the current year FY 2011-12 budget, adopted in June 2011. He stated that a two year budget was presented last year and this is the 2nd year of that two year budget. It does reflect some changes. He stated that all program areas are presented before the distribution of allocable administrative costs. Infrastructure costs (which include major items such as building lease costs, database hosting and computer network support) are presented in full, rather than as allocations. This was done in order to provide a comprehensive picture of the total indirect cost of supporting all programs. The expense spreadsheet gives expense data by each strategy, as it currently exists.

He stated that based on estimates from the State of California Department of Finance, tobacco tax revenues are expected to decline by 3.5% in FY 2012-2013. Despite this decline, total Prop 10 and other revenue is expected to increase from \$17.32 million in the current year to \$17.68 million, primarily due to the California Department of Education, Race to the Top Early Learning Challenge Grant that was received in FY 2011-2012. First 5 Alameda County will receive a total

of \$2.3 million of grant funds over the next four years. Consistent with the Long Range Financial Plan, funds from the Sustainability Fund amounting to \$2.98 million are budgeted to be used to close the gap between decreasing tobacco tax revenue and projected expenses. Investment income is projected to remain at current levels due to the low interest rate climate that is expected to continue through 2013.

Mr. Rasiah presented the details of the program covering First 5 staff salaries and benefits, grants, contracts, and stipends, program operating costs and infrastructure/overhead costs.

Commissioner Carson arrived at the meeting at 9:22 am.

Public Comment: Judy Kriege from Banana's asked why there is a decrease in contract funding for the Community and Provider Capacity Building strategy, and how First 5 winning the lawsuit will impact the budget for First 5. Mr. Friedman stated that the defeat of AB99 means that the \$23.6 million that was segregated to give the state will come back to the sustainability fund and you'll see that in the presentation of the long range financial plan. He stated that the budget for the fiscal year will remain the same and we will not have to make the drastic cuts that were previously proposed. Mr. Rasiah responded that the reductions in contracts were the Ohlone contract, the San Lorenzo School District contract, the CSUEB BA program, the CARES Plus contract and the Federal earmark for SART.

Commission Action: The Commission approved the First Reading of the FY 2012-13 Budget upon motion by Vice Chair Mendel, seconded by Commissioner Wang and unanimously carried (6 in favor, 0 opposed).

PROGRAM

5. Home Visiting Redesign & Strengthening Families

Mr. Friedman introduced Carla Keener, Senior Administrator, Continuum of Care and Linkages and Kiko Malin, Director of Family Health Services at Public Health. Ms. Keener acknowledged all of the staff and partners that have been a part of the process and stated that this is really a collaborative effort.

Ms. Keener posed the question: "Why a Home Visiting/Family Support Program in Alameda County?" She stated that this design is taking on the emphatics emphatics of several exciting initiatives that are already underway in the county. She stated that there are a number of agencies, programs, and organizations who are coalescing their programs and resources to really look at the needs of children ages 0-8. She stated that this is an opportune time to look at how we work together to improve the coordinated Early Childhood System of Care and management services. She stated that this includes the Home Visiting/Family Support Systems of Care, Help Me Grow, Early Childhood SOC the SAMSA grant, Project LAUNCH which includes Strengthening Families/Parent Cafes, Quality Child Care, and School Readiness/School Transitions.

Ms. Keener and Ms. Malin presented the details of the Home Visiting/Family Support Program in Alameda County.

Commissioner Briscoe stated that the First 5 investment to this is reduced in the Long Range Financial Plan. He stated that his concern is that while we can all agree that a more effective and coordinated system is appropriate it has to be funded in order to succeed. He stated that he is not clear that the resources are available to implement that plan as proposed. He stated that in this transition we need to insure that the funding has been identified to implement these enhanced level of services and coordination that we are proposing.

Ms. Malin responded that these are the questions that the fiscal administrative committee, which met yesterday, is really trying to understand. She stated that it is true that First 5 will have to make some decisions about how much funding they will continue to allocate to Home Visiting. She stated that in theory there is this idea that bringing everyone together and maximizing the ability to be able to draw down resources could help to fund services at the same level. She stated that we know that there are things that we are not maximizing and part of the work of the fiscal committee over the next 6 months is to identify additional funding. She stated that public health is also looking at: are programs running efficiently, are we staffed appropriately and could we reconfigure and move things around so that the program runs more efficiently?

Ms. Keener stated that the design and services committee is also looking at other models that might be as effective and get outcomes and may be more efficient and less expensive.

Chela Rios from Children's Hospital Oakland, Special Start Program stated that she has been a home visitor for 18 years. She spoke in support of the Home Visiting Program and stated that the program helps to break the isolation that disconnects families from services. She shared with the Commission case examples of families in Alameda County.

Nina Tremelli from Alameda County Public Health expressed enthusiasm for the system redesign and talked about opportunities that it presents. She stated that Dr. Michael Lou popularized the Life Course Perspective Theoretical Framework and looks to Alameda County as a leader in how to implement this into practice, and pioneering new approaches to do this. She stated that we are in the process of piloting and developing some of the things that we think will strengthen the home visiting system. She stated that this is also an opportunity to build on some of the models that exist in the community, in the neighborhoods that we're serving, and also adapting some of the things that are happening elsewhere.

Sue Greenwald from Children's Hospital Oakland urged the Commission to continue to make an investment in Home Visiting and shared examples of how families access services and how the system will provide easier access to combining some of the strong resources so that families get the services that they need and that there is a warm handoff between programs.

Chair Simms-Mackey thanked all of the Home Visiting staff and stated that she hopes services are continued at the highest level because she has seen children's lives saved because of home visiting.

6. First Reading of FY 2013-17 Long Range Financial Plan

Mr. Rasiah presented the first reading of the FY 2013-17 Long Range Financial Plan (LRFP) to the Commission for approval.

He stated that the current Long Range Financial Plan (LRFP) was formally approved by the Commission in June 2011. This is an update to the LRFP presented herewith (Appendix A) with underlying assumptions (Appendix B). The update largely reflects the proposed budget for FY 2012-2013.

He stated that the Sustainability Fund cannot be spent down to zero; some funds must be maintained as an operating reserve to cover ongoing cash flow requirements to act as a buffer since there are delays in receiving state tobacco tax revenues or other revenues. He stated that the recommendation is to maintain an amount in the fund balance, at a minimum, equal to six months of operating expenses plus an amount to cover fiscal obligations under the Reduction in Workforce Policy which is currently about \$500,000.

He stated that 2011-12 figures are from the budget approved in June 2011. For 2013-14 and subsequent years, total expenses have been reduced to leave a minimum fund balance as recommended below. He stated that the plan does not provide for any cost of living allowances. It is assumed that inflationary increases will be well within the range of annual budgetary savings, as in previous years.

Commission Action: The Commission approved the First Reading of the FY 2013-17 Long Range Financial Plan (LRFP) upon motion by Vice Chair Mendel, seconded by Commissioner Briscoe and unanimously carried (6 in favor, 0 opposed).

7. Contract Authorizations

Mr. Friedman presented the Contract Authorizations to the Commission. He stated that the Commission is being asked to approve the following contracts:

- Hayward Unified School District - \$11,000: First 5 Alameda County currently has a FY 2011-13 contract in the amount of \$140,000 (\$70,000 per year) with Hayward Unified School District (HUSD) to provide year-round school readiness programs and transition services including summer pre-kindergarten programs to 6 sites. The addition of \$11,000 to the existing \$140,000 FY 2011-13 contract brings the total FY 2011-13 contract amount to \$151,000.
- Low Income Investment Fund (LIIF) - \$72,000: First 5 Alameda County currently has a FY 2011-13 contract in the amount of \$1,224,000 (\$612,000 per year) with LIIF to

administer capital grants to child care programs including those participating in the Quality Counts program. The program will be increasing the number of sites served, which means an increase in the number of sites eligible for the Quality Grant capital grant program administered by LIIF. The addition of \$72,000 to the existing \$1,224,000 FY 2011-13 contract brings the total FY 2011-13 contract amount to \$1,296,000.

Commission Action: The Commission approved the above contracts upon motion by Commissioner Wang, seconded by Commissioner Mendel and unanimously carried (6 in favor, 0 opposed).

- Children’s Hospital & Research Center at Oakland (CHRCO) - \$52,000: First 5 Alameda County is requesting approval of a \$52,000 FY 2011-13 sole source contract with CHRCO for the planning and implementation of training to enhance the developmental knowledge of Alameda County 0 to 5 mental health services providers and for translation services for a parent advisory group. CHO currently has several other awards and the addition of this \$52,000 brings the aggregate contract amount to \$2,937,861.50.

Commission Action: The Commission approved the above contract upon motion by Commissioner Carson, seconded by Commissioner Choi and unanimously carried with Chair Simms-Mackey and Commissioner Briscoe abstaining from the vote (4 in favor, 0 opposed, 2 abstained).

8. Approval of First 5 California State Annual FY 2010-11 Report

Mr. Friedman stated that Proposition 10 legislation requires each county commission to conduct one public hearing on the First 5 California State Annual Report. The report is a compilation of data collected from counties that participate in statewide initiatives including Power of Preschool, Health Access and School Readiness. The report also summarizes the county results on the state identified focus areas: Family Functioning, Child Development, Child Health and Systems of Care.

Commission Action: The Commission approved the First 5 California State Annual Report FY 2010-11 upon motion by Commissioner Wang, seconded by Vice Chair Mendel and unanimously carried (6 in favor, 0 opposed).

9. FY 2013-2017 Strategic Plan Process Update

Mr. Friedman stated that the Strategic Planning Task Force has been meeting with staff over the past 5 months and so far staff have completed a community survey and are in the process of contracting with a consultant to conduct key informant interviews to get feedback on First 5’s role moving forward. He stated that there is a commissioner planning retreat scheduled on August 24th from 9:00 am -1: 00 pm to review and synthesis the feedback information. Commissioner Herzfeld stated that as a new commissioner she has found that being on the task force is a really good learning curve and the support that we received from Commissioner Stark who’s been involved in the process before, has been extremely valuable.

10. First Reading of FY 2012-13 Strategic Plan

Mr. Friedman stated that Proposition 10 requires that each county commission review the strategic plan and hold two public meetings on an annual basis and either modify it or approve it as it is.

He stated that last June, the Commission approved a two-year FY 2011-13 budget for the last two fiscal years of the current strategic plan. There are no significant changes for the final year of the FY 2009-13 Strategic Plan. The goals, outcomes and programs remain the same. The new three strategy agency structure will be incorporated in to the new FY 2013-17 Strategic Plan.

Commission Action: The Commission approved the First Reading of the FY 2012-13 Strategic Plan upon motion by Commissioner Choi, seconded by Commissioner Herzfeld and unanimously carried (6 in favor, 0 opposed).

11. State Commission & Association Updates

Mr. Friedman stated that the biggest news is that Sherry Novick resigned from the association and has been replaced by Moira Kenney and she been on the job for about 6 weeks. He stated that Chris Perry came to the association meeting a few weeks ago and announced that their commission voted to transfer \$50 million to the state to support the budget. He stated that we don't rely on First 5 California funds that much anymore so it's not a significant difference to us.

12. Legislation and Public Policy Updates

Commissioner Mendel asked the Commission to join other First 5's around the state that have endorsed yes on proposition 29. She stated that this will provide backfill to Prop 10 tax revenue. She distributed a Q and A document providing information.

Commission Action: The Commission approved the Endorsement on Proposition 29 upon motion by Vice Chair Mendel, seconded by Commissioner Wang and unanimously carried (6 in favor, 0 opposed).

13. Discussion of Office Space/Lease –CLOSED SESSION

The Commission discussed office space options and gave direction to staff.

Commission Action: The Commission approved the Office Space Recommendation upon motion by Vice Chair Mendel, seconded by Commissioner Choi and unanimously carried (6 in favor, 0 opposed).

14. Adjournment



To: First 5 Alameda County Commission

From: Mark Friedman, CEO
Mark R Rasiah, Financial Controller

Date: June 28, 2012

Subject: 2012-13 Budget Proposal – Final Adoption

ACTION REQUESTED

To review and adopt the following FY 2012-13 Budget Proposal.

BACKGROUND

Each First 5 agency is required by statute to pass a Strategic Plan that outlines the use of the tobacco tax funds to serve children age 0-5 and their families. The First 5 Alameda County Commission has approved a four-year Strategic Plan for FY 2009-13. The Strategic Plan was prepared after extensive program and needs assessment and community and stakeholder input. Every two years, the Commission adopts a two year budget. In June 2011, the Commission adopted an annual budget for each of the fiscal years 2011-2012 and 2012-2013. This budget proposal for FY 2012-2013 is in aggregate, identical to that which was adopted in June last year.

This presentation is the final reading of the 2012-13 budget proposal. There were no changes to the Proposed Budget that was presented to the Commission at the first reading in May, 2012. As is the practice of First 5 Alameda County, changes that occur during the course of the fiscal year will be formally incorporated into the budget during the mid-year Budget Modification in January 2013.

This document provides a fiscal summary of revenue projections. In addition, the document provides each program's total program expenses and the total cost of infrastructure that has traditionally been presented as an allocation to each program. The total program costs include:

- First 5 staff salaries and benefits
- Grants, contracts, and stipends
- Program Operating Costs
- Infrastructure/Overhead costs

CURRENT BUDGET PROPOSAL

The following Revenue and Expense projections are presented with a comparison to the current year FY 2011-12 budget, adopted in June 2011. All Program areas are presented before the distribution of allocable administrative costs. Infrastructure costs (which include major items such as building lease costs, database hosting and computer network support) are presented in full, rather than as allocations. This was done in order to provide a comprehensive picture of the total indirect cost of supporting all programs. The Expense spreadsheet gives expense data by each Strategy, as it currently exists.

REVENUE AND AVAILABLE FUNDS 2012-13

Based on estimates from the State of California Department of Finance, Tobacco tax revenues are expected to decline by 3.5% in FY 2012-2013. Despite this decline, total Prop 10 and other Revenue is expected to increase from \$17.32 million in the current year to \$17.68 million, primarily due to the California Department of Education Race to the Top Early Learning Challenge Grant that was received in FY 2011-2012. First 5 Alameda County will receive a total of \$2.3 million of grant funds over the next four years. Consistent with the Long Range Financial Plan, funds from the Sustainability Fund amounting to \$2.98 million are budgeted to be used to close the gap between decreasing Tobacco Tax revenue and projected expenses. Investment income is projected to remain at current levels due to the low interest rate climate that is expected to continue for the duration of 2013.

LINE ITEM	2011-12 REVISED BDGT	2012-13 PROPOSED	RATIONALE
Prop 10 Tobacco Tax	\$14,010,000	\$13,510,000	Tobacco tax revenue projection is based on assessment of current year trend through February 2012 and First 5 California projections for county commissions.
Interagency Income	\$1,013,421	\$1,306,000	<p>The SAMHSA (Substance Abuse Mental Health Services Administration) Project LAUNCH federal grant for a place-based strategy designed to promote the healthy development of young children within the targeted East Oakland community from Alameda County Public Health Department (PHD) was committed for \$655,000.</p> <p>The SAMHSA Early Connections federal grant for a six-year project that creates an infrastructure for a system of care for children ages 0-5 and their families from Alameda County Behavioral Health Care Services (BHCS) was committed in the amount of \$390,000. The remainder is for the Screening, Assessment, Referral & Treatment (SART) Pathways Linkage Line (\$142,000) and reimbursement from First 5 Contra Costa for a full-time staff person for hospital outreach in Contra Costa County (\$119,000).</p>
Grants	\$1,100,317	\$1,672,000	<p>The Federal Grant amount consists of a proposed reauthorization of part of the federal earmark for the SART program (\$400,000), and the California Department of Education Race to the Top Early Learning Challenge grant (\$538,000).</p> <p>The State Grant consists of a Comprehensive Approach to Raising Educational Standards (CARES) Phase II grant (\$300,000).</p> <p>A grant from The Long Foundation (\$400,000) was committed to expand the School Readiness program. A two year (FY2011-2013) grant from the Kellogg Foundation for a total of \$40,000 was committed for the Help Me Grow program. The unexpended portion of \$34,000 is reflected here.</p>
Fiscal Leveraging	\$700,000	\$700,000	Medi-Cal Administrative Activities (MAA), based on conservative estimates of actual invoices submitted for MAA in 2010-11.

LINE ITEM	2011-12 REVISED BDGT	2012-13 PROPOSED	RATIONALE
Investment Revenue	\$500,000	\$ 500,000	To be conservative and to reflect the sustained low interest rates climate of recent years, investment revenue yield is estimated to be under 2%, and also assumes a decreased fund balance due to partial liquidation of the investment portfolio.
Sustainability Fund	\$3,346,262	\$2,982,000	This amount is consistent with the Long Range Financial Plan approved in June 2011. That Plan allows for up to \$4.35 million in Sustainability Funds to maintain programs in 2012-2013.

EXPENDITURES 2011-12

The following Expense information compares the current 2011-12 budget with the proposed 2012-13 budget. The program expenditures presented below consist of Salaries and Benefits, Program related Contracts, Grants and Professional Services Costs and Direct Program Costs. They exclude shared or indirect Infrastructure costs which are shown separately. The budget will be approved at the Strategy level as shown below, but will be managed at the program level. The budget narrative provides more detail on each Program.

Programs are supported by facilities, infrastructure and data systems. These costs are shown separately as Infrastructure Costs in the proposed budget. The goals of this format of presentation are two-fold. First, to disclose the full cost of each infrastructure component or fixed overhead cost in total, instead of as an allocated cost. Secondly, in a declining funding environment keeping track of costs in aggregate can lead to better tracking, financial control and reporting.

Consistent with legislative requirements brought about by AB 109, expense costs continue to be separated into three cost categories: Program, Evaluation and Administration. The expenses in each category are consistent with First 5 California guidelines, and those set forth in the Government Finance Officers Association’s First 5 Financial Management Guide.

Salaries and Benefits

Salaries and benefits are projected to increase from \$6.28 million to \$ 6.73 million, an increase of \$0.44 million. The increase is due in part to the 4% Cost of Living Allowance paid to staff starting in January 2012 and an increase of 3.2 FTEs in select staffing categories.

Salaries are budgeted based on actual amounts. Benefits are budgeted at 50% of salaries. Consistent with direction from the Commission, the approved benefit package has remained mostly consistent with the Alameda County benefit package, including membership in the Alameda County Employee’s Retirement Association (ACERA), health and dental benefits, life insurance and a flexible benefit of \$1,500 to offset health, life insurance or flexible spending account costs. The 50% allocation is based on actual cost estimates that are revised periodically as needed.

Continuum of Care and Linkages for Children and Families (COCL)

The total COCL budget proposal for 2012-13 is \$9.39 million compared to \$9.14 in the current year, a net increase of \$0.24 million.

PROGRAM	2011-12 BUDGET	2012-13 PROPOSAL	FUNDING SOURCES/VARIANCE	STRATEGY
Perinatal Services and Home visiting.	\$5,569,721	\$5,616,681	Tobacco Tax, Medi-Cal Administrative Activities (MAA), Other Sources	Home-Based Family Support
Children's SART (Screening, Assessment, Referral and Treatment)	\$1,640,418	\$1,584,763	Tobacco Tax, Medi-Cal Administrative Activities (MAA), Behavioral Health Care Services funding for Pathways data system, Federal Grant, Kellogg Foundation.	Coordinated Screening, Assessment, Referral and Treatment (SART)
Early Connections	\$203,609	\$453,053	Behavioral Health Care Services (SAMHSA Federal Grant)	Coordinated Screening, Assessment, Referral and Treatment (SART)
School Readiness Includes Literacy, Kindergarten Readiness and Transition	\$1,035,303	\$1,074,084	Tobacco Tax, Long Foundation Private Grant	Community-Based School Readiness Services
Project LAUNCH	\$590,454	\$530,775	Public Health Department (SAMHSA Federal Grant)	Integrates all strategies at the community level
Cultural Access Services	\$106,500	\$135,500	Tobacco Tax, Medi-Cal Administrative Activities (MAA)	Cultural Access Services is a program that works across all strategies, providing translation and interpretation services to support all programs.
Total Continuum of Care And Linkages	\$9,146,005	\$9,394,856	\$248,851	

Community and Provider Capacity Building (PCB) & Program Operations

The Provider Capacity Building (PCB) & Program Operations budget proposal for 2012-13 is \$7.50 million compared to \$7.67 million in the current year, a decrease of \$173,942. This represents a \$263,556 reduction in Total Grants and Contracts, which was partly offset by an \$87,714 increase in the Personnel Budget, which includes The Grants and Contracts Management Group. Program Operations consists of the Deputy Director function and a Contingency Budget of \$50,000 for unforeseen program expenses that may arise during the year.

PROGRAM	2011-12 BUDGET	2012-13 PROPOSAL	FUNDING SOURCES/VARIANCE	STRATEGY
Community Grants	\$2,315,449	\$2,317,429	Tobacco tax	Programs funded in various strategy areas, dependent on funding priorities selected by the Commission
ECE Community based training.	\$1,458,429	\$1,192,662	Tobacco Tax	Integrated Child Care Quality Support System
College and University Education	\$1,277,031	\$1,131,022	Tobacco Tax, Federal Grant	Integrated Child Care Quality Support System
Quality Counts and Child Care Capital Grants	\$1,449,810	\$1,250,041	Tobacco Tax	Integrated Child Care Quality Support System
Training Institute/Coaching Training/Family Financial Fitness	\$273,827	\$402,713	Tobacco Tax	Provider Capacity Building
Child Development/Mental Health Strategies	\$401,083	\$390,901	Tobacco Tax	Mental Health Consultation to Child Care
Child Development/Early Learning	\$0	\$313,167	California Department of Education Race to the Top Early Learning Challenge grant	Provider Capacity Building

Program Operations, Contracts & Grants Management	\$501,348	\$505,100	Tobacco Tax	Program oversight for all strategies. Contracts & Grants Management and tracking.
Total Provider Capacity Building	\$7,676,977	\$7,503,035	(\$173,942)	

Early Childhood Policy Advocacy and Communication (PAC)

The Policy Advocacy and Communications budget proposal for 2012-13 is \$241,451 compared with \$186,539 in the current year, an increase of \$54,912.

PROGRAM	2011-12 BUDGET	2012-13 PROPOSAL	FUNDING SOURCES/VARIANCE	STRATEGY
Policy agenda, Systems Change & Sustainability and linking with health reform.	\$186,539	\$241,451	Tobacco Tax	Workgroup to consist of staff from each of the strategy areas.
Total Policy Advocacy	\$186,539	\$241,451	\$54,912	

Evaluation and Technology

The Evaluation and Technology (E&T) budget proposal for 2012-13 is \$947,053 compared to \$804,218, in the current year, an increase of \$142,836.

PROGRAM	2011-12 BUDGET	2012-13 PROPOSAL	FUNDING SOURCES/VARIANCE	COMMENTS
Evaluation, Database, Technical Assistance.	\$804,218	\$947,053	Tobacco Tax, Behavioral Health Care Services (SAMHSA Federal Grant), Long Foundation Private Grant. Medi-Cal Administrative Activities (MAA).	Includes: internal and external evaluation activities, including annual report compilation, and ECE external evaluations (School Readiness); ECC Online and ECChange databases, only portions used for internal evaluation; provision of evaluation technical assistance to providers.

Total Evaluation and Technology	\$804,218	\$947,053	\$142,836	
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Administration

The Administration budget proposal for 2012-13 is \$1.04 million compared with \$0.98 million in 2011-12, a net increase of \$65,245. The increase is partly due to centralizing agency wide staff development costs under Human Resources and partly to the cost of living allowance for staff.

PROGRAM	2011-12 BUDGET	2012-13 PROPOSAL	FUNDING SOURCES/VARIANCE	COMMENTS
Commission, Finance, Human Resources and Facilities Management	\$984,743	\$1,049,988	Tobacco Tax, Medi-Cal Administrative Activities (MAA)	See note above
Total Administration	\$984,743	\$1,049,988	\$65,245	

Infrastructure

The Infrastructure budget proposal for 2012-13 is \$1,533,618 compared with \$1,871,519 in 2011-12, a net decrease of \$337,901. This budget group consists of all fixed and overhead costs incurred by First 5 Alameda County, in providing services.

PROGRAM	2011-12 BUDGET	2012-13 PROPOSAL	FUNDING SOURCES/VARIANCE	COMMENTS
Database Management, Network Support, Space Rental/Building Lease. Equipment leases, Communications, Insurance, Professional Services etc.	\$1,871,519	\$1,533,618	Tobacco Tax, Medi-Cal Administrative Activities (MAA), Grants.	See note above
Total Infrastructure	\$1,871,519	\$1,533,618	(\$337,901)	

Administrative Cap

As part of the agency Finance Policy and consistent with AB 109 and SB 35, First 5 Alameda County has set an administrative cost cap of 10%. Costs are segregated through the year into the Program, Evaluation and Administrative divisions according to guidelines and definitions set forth by First 5 California and in the Government Finance Officers Association (GFOA) First 5 Financial Management Guide.

The proposed budgets’ administrative costs do not exceed the cap. They are:

2012-13 ADMINISTRATIVE CAP	
Program	88.5%
Evaluation	5.3%
Administration	6.2%
TOTAL	100.00%

Fiscal Impact

The fiscal impact is \$20,670,000 in budgeted expenses, a major portion of which will be funded by a combination of Prop 10 and other revenue sources amounting to \$17,688,000. The balance is expected to be funded by the use of Sustainability funds in the amount of \$2,982,000 in FY 2012-13.

This amount is within the range set forth in the Long Range Financial Plan figures approved in June 2011. That plan projected up to \$4.35 million in Sustainability Funds to be used to maintain programs in 2012-13.

RECOMMENDATION

That the Commission review and adopt the following 2012-13 Budget Proposal.

Submitted by:

Reviewed by:

 Mark R. Rasiah
 Financial Controller

 Mark Friedman
 Chief Executive Officer

**First 5 Alameda County
Proposed Revenue and Available Funds Budget
For the Period July 1, 2012 - June 30, 2013**

Revenues	Actual* Revenue FY 2009-10	Actual* Revenue FY 2010-11	Adopted Budget FY 2011-12	Proposed Budget FY 2012-13	Variance %
Prop 10 Tobacco Tax	14,532,492	14,238,817	14,010,000	13,510,000	-4%
Interagency Income					
- ACBHCS Early Connections(SAMHSA)			305,184	390,000	28%
- ACPHD Project LAUNCH (SAMHSA)			608,237	655,000	8%
- SART Linkage Line			100,000	142,000	42%
- First 5 Contra Costa				119,000	
Total Income from Alameda Co. Agencies	1,464,249	1,154,409	1,013,421	1,306,000	29%
Grants					
Federal	121,554	208,870			
- SART Earmark #2			500,000	400,000	-20%
- Race To The Top				538,000	
State	2,179,686				
- CARES PLUS		66,142	272,000	300,000	10%
Private					
- Long Foundation	207,899		308,317	400,000	30%
- Kellogg Foundation			20,000	34,000	70%
Total Grants	2,509,139	275,012	1,100,317	1,672,000	90%
Fiscal Leveraging					
MAA	1,060,853	757,725	700,000	700,000	0%
TCM	103,129	(103,129)			
Title IV-E	25,697				
Total Fiscal Leveraging	1,189,679	654,596	700,000	700,000	0%
Investment Revenue	1,471,102	679,203	500,000	500,000	0%
Miscellaneous Income	281,976	42,436			
TOTAL REVENUE	21,448,637	17,044,473	17,323,738	17,688,000	2%
Available Funds					
Sustainability Funds	3,278,751	6,641,473	3,346,262	2,982,000	-11%
TOTAL REVENUES & AVAILABLE FUNDS	24,727,388	23,685,946	20,670,000	20,670,000	0%

* Source: Audited Financial Statements

First 5 Alameda County
Proposed Expenditure Budget
For the Period July 1, 2012 - June 30, 2013

Expenditures	Actual* Expenses FY 2009-10	Actual* Expenses FY 2010-11	Adopted Budget FY 2011-12	Proposed Budget FY 2012-13	Variance
Personnel Costs	6,918,676	7,055,491	6,288,645	6,731,119	442,474
Contracts	12,053,746	11,219,257	10,049,790	9,642,406	(407,384)
Grants	3,923,295	3,617,487	2,338,822	2,366,400	27,578
Professional Services Contracts	284,397	222,379	319,250	294,250	(25,000)
Program Operating Costs	492,015	636,078	633,975	720,308	86,333
Infrastructure Costs	1,055,259	935,254	1,039,518	915,518	(124,000)
TOTAL EXPENDITURES	24,727,388	23,685,946	20,670,000	20,670,000	0

* Source: Audited Financial Statements

First 5 Alameda County

Proposed Expenditure Budget
For the Period July 1, 2012 - June 30, 2013

	Continuum of Care		Prov. Capacity Building		Policy. Advocacy. Comm.		Eval. & Technology		Administration		Infrastructure		T o t a l		Variance %
	Adopted FY 2011-12	Proposed FY 2012-13	Adopted FY 2011-12	Proposed FY 2012-13	Adopted FY 2011-12	Proposed FY 2012-13	FY 2011-12	FY 2012-13	Adopted FY 2011-12	Proposed FY 2012-13	Adopted FY 2011-12	Proposed FY 2012-13	Adopted FY 2011-12	Proposed FY 2012-13	
Personnel Costs															
Salaries & Benefits	2,729,268	2,985,936	1,779,427	1,867,141	186,539	241,451	677,017	684,953	916,393	951,638			6,288,644	6,731,119	7%
Program Contracts/Grants															
Contracts	5,904,412	5,900,862	3,270,578	2,942,444			115,000	255,000			758,000	544,100	10,047,990	9,642,406	-4%
Grants & Stipends			2,338,822	2,366,400									2,338,822	2,366,400	1%
Professional Services Contracts	190,000	128,000	55,250	92,250							74,000	74,000	319,250	294,250	-8%
Total Contracts/Grants	6,094,412	6,028,862	5,664,650	5,401,094	0	0	115,000	255,000	0	0	832,000	618,100	12,706,062	12,303,056	-3%
Program Operating Costs	322,325	380,058	232,900	234,800			12,200	7,100	68,350	98,350			635,775	720,308	13%
TOTAL DIRECT PROGRAM COSTS	9,146,005	9,394,856	7,676,977	7,503,035	186,539	241,451	804,217	947,053	984,743	1,049,988	832,000	618,100	19,630,481	19,754,483	1%

INDIRECT COSTS

Communications	30,000	30,000	30,000	30,000	0%
Copying/Printing/Postage	30,000	40,000	30,000	40,000	33%
Equipment Leases/Rentals/Maint.	3,000	3,000	3,000	3,000	0%
Equipment Purchase	36,000	10,000	36,000	10,000	-72%
Insurance	85,000	85,000	85,000	85,000	0%
Membership and Dues	22,000	24,000	22,000	24,000	9%
Professional Services	148,000	128,000	148,000	128,000	-14%
Space Rental	660,000	570,000	660,000	570,000	-14%
Miscellaneous	3,000	3,000	3,000	3,000	0%
Depreciation	22,519	22,518	22,519	22,518	0%
Total Infrastructure	1,871,519	1,533,618	1,039,519	915,518	-12%

TOTAL

20,670,000	20,670,000	0%
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2012-2013 PROPOSED PERSONNEL ALLOCATION

Positions Expressed in Full Time Equivalent Units (FTE)

BUDGETED FTE's

PROPOSED
BUDGET

	<u>2010 - 2011</u>	<u>2011 - 2012</u>	<u>2012 - 2013</u>	
	PERMANENT FTE	PERMANENT FTE	PERMANENT FTE	CHANGE FTE
ALL PROGRAMS	53.31	40.85	44.05	3.20
EVALUATION & TECHNOLOGY	7.50	5.50	5.50	-
ADMINISTRATION	10.50	7.88	7.88	-
TOTAL BUDGETED PERSONNEL	71.31	54.23	57.43	3.20

NOTE:

CHANGE IN FTE:
2.4 FTE

0.8 FTE
3.2 FTE

FUNDED BY:
Race to The Top, Early Connections,
Project LAUNCH and Help-Me-Grow
Prop 10



To: First 5 Alameda County Commission
From: Mark R Rasiah, Financial Controller
Date: June 28, 2012
Subject: Revised Long Range Financial Plan Recommendation

ACTION REQUESTED

To review and approve the attached 2013-17 Long Range Financial Plan.

BACKGROUND

First 5 Alameda County has adopted a Long Range Financial Plan annually since March 2004. Adoption of a Long Range Financial Plan has been a statutory requirement of all First 5 Commissions since 2006-07. Historical background information about the Long Range Financial Plan is provided in Appendix C.

The current Long Range Financial Plan (LRFP) was formally approved by the Commission in June 2011. An update to the LRFP is presented herewith (Appendix A) with underlying assumptions (Appendix B). The update largely reflects the Proposed Budget for FY 2012-2013.

MINIMUM FUND BALANCE REQUIREMENTS

The Sustainability Fund cannot be spent down to zero; some funds must be maintained as an operating reserve to cover ongoing cash flow requirements to act as a buffer since there are delays in receiving state tobacco tax revenues or other revenues. The recommendation is to maintain an amount in the Fund Balance, at a minimum, equal to six months of operating expenses plus an amount to cover fiscal obligations under the Reduction in Workforce Policy (currently about \$500,000).

FISCAL IMPACT

There is no fiscal impact.

RECOMMENDATION: That the Commission review and approve the Long Range Financial Plan presented in Appendix A.

Submitted by:

Reviewed by:

Mark R Rasiah
Financial Controller

Mark Friedman
Chief Executive Officer



APPENDIX B – ASSUMPTIONS FOR THE REVISED LONG RANGE FINANCIAL PLAN

Presented below are the assumptions used to develop the Long Range Financial Plan Scenario A contained in Appendix A.

REVENUES

2011-12 figures are from the budget approved in June 2011. For 2012-13 and subsequent years, the following revenue assumptions were used:

- **Tobacco Tax** – The California Department of Finance (DoF) prepared revised projections of First 5 tobacco tax revenues in June 2011. These take into account the effects of the federal tobacco tax, other declines in state tobacco tax revenues (such as those due to general economic conditions), Prop 99 backfill amounts and other factors. The projections cover the 2010-2015 period.

The DoF projections for Alameda County show expected drops of 1.7% in 2011-12, 3.5% in 2012-13, 5% in 2013-14 and 5.2% in 2014-2015. Annual declines in tobacco tax revenues for 2011-13 were averaged out at 3.5% in the Proposed Budget based on these DoF estimates. Starting in 2016-17, the annual rate of decline is expected to reduce to 2.5% because of historical experience that reductions in tobacco tax collections do not continue at a steep rate of decline but instead “flatten out” within four to five years.

- **Fiscal Leveraging** – From FY 2009-10, fiscal leveraging revenues consist entirely of federal reimbursements under the Medi-Cal Administrative Activities (MAA) program. It is assumed that programs eligible for MAA claiming will be sustained throughout the remainder of the 2009-13 strategic plan period and that these will be maintained at 2010-11 rates.
- **Other**– Private Grant Revenues from the Long foundation and the Kellogg Foundation are expected to continue through the FY 2014-15 period. Other grant revenues in 2011-15 consist of the federal earmark for the SART program. Interagency income represents SAMHSA federal grants for Project LAUNCH and Early Connections; Reimbursement from First 5 Contra Costa for hospital outreach coordinator services and reimbursement from ACPHD for ECChange maintenance and hosting costs. The State grant is for CARES Phase II. When new grants are awarded, the Long Range Financial Plan will be revised if appropriate at that time to incorporate the effect of those grants.

- **Investment Revenue** – The 2012-13 budget estimates investment income to be earned at a rate of approximately 1.1% of the beginning fund balance. To be conservative and to reflect the sustained low interest rates of recent years, investment income is estimated to be 2.0% of the beginning fund balance for the period thereafter.

EXPENSES

2011-12 figures are from the budget approved in June 2011. For 2013-14 and subsequent years, total expenses have been reduced so as to leave a minimum fund balance as recommended below. The plan does not provide for any cost of living allowances. It is assumed that inflationary increases will be well within the range of annual budgetary savings, as in previous years.

MINIMUM FUND BALANCE REQUIREMENTS

The Sustainability Fund cannot be spent down to zero; some funds must be maintained as an operating reserve to cover ongoing cash flow requirements to act as a buffer if there are delays in receiving state tobacco tax revenues or other revenues. The recommendation is to maintain an amount in the Fund Balance, at a minimum, equal to six months of operating expenses plus an amount to cover fiscal obligations under the Reduction in Workforce Policy (currently about \$500,000).

APPENDIX C – HISTORICAL BACKGROUND

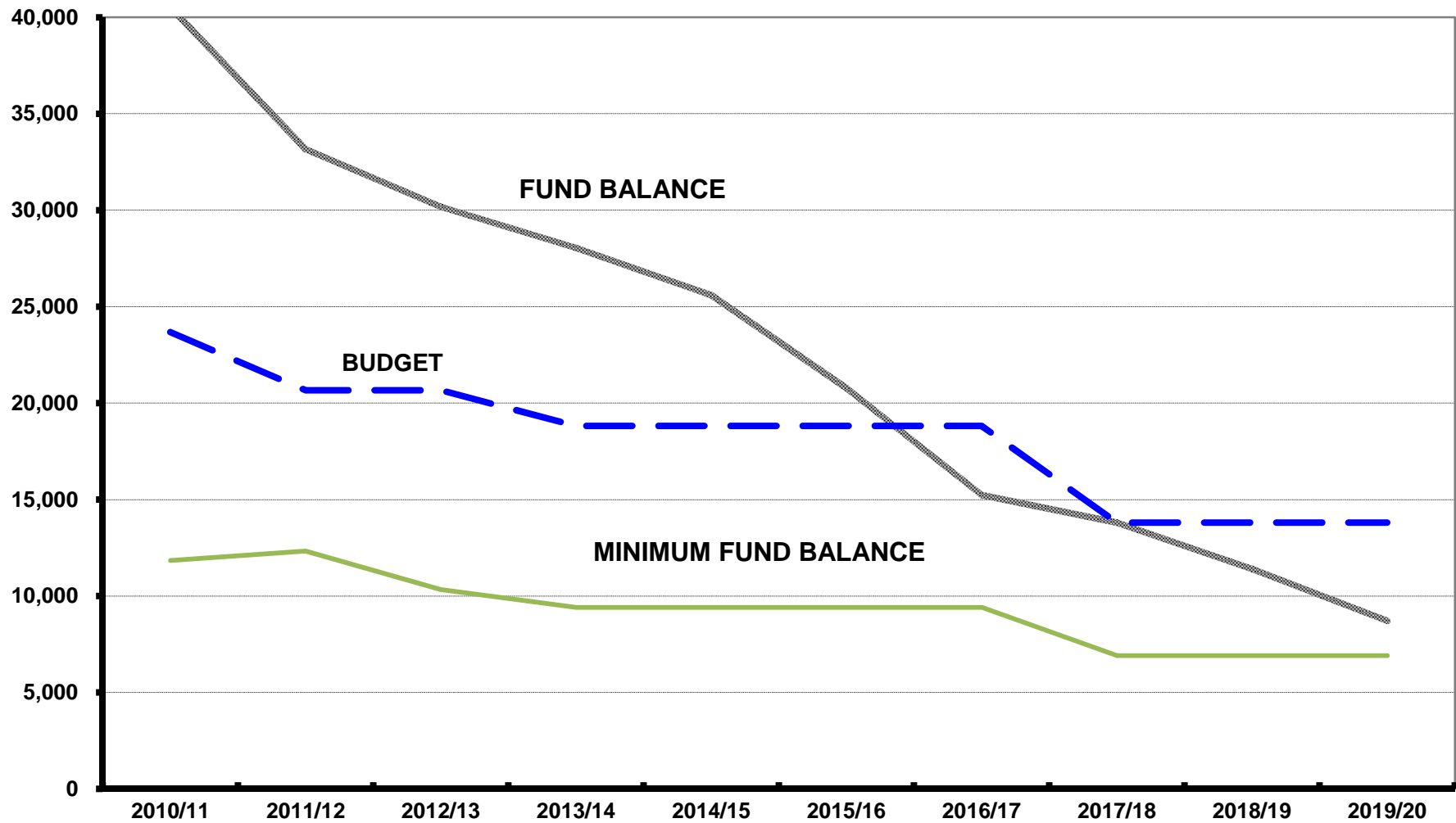
The Long Range Financial Plan tool was designed to strategically guide the use of First 5 Alameda County's Sustainability Fund. The Sustainability Fund was established by the First 5 Alameda County Commission as a strategy to ensure a long term commitment to funding services for children age 0-5, even as the tobacco tax revenue declined.

The Sustainability Fund is projected to be approximately \$37 million at the end of the current fiscal year (2010-11) and was accumulated in a number of ways over the past ten years. First, the Fund developed through the initial reserve that occurred when tax dollars were accumulated but funds could not be spent until a Strategic Plan was passed (Jan. 1999-Jan. 2000). In addition, contributions to the Sustainability Fund were budgeted over a number of years (2001-2004). Finally, budgeted funds that remained unspent were directed by the Commission to the Sustainability Fund rather than rolling to the subsequent year's budget (2001-present).

It is important to note that Sustainability Funds have been budgeted for program use since 2005-06, which means that expenses have been projected higher than revenues in each of those years, but budget savings in those years made it unnecessary to draw from the Fund. However, changes to budgeting procedures were instituted for the 2009-10 budget to reduce over-budgeting of expense line items. These changes have resulted in draws from the Sustainability Fund since FY2009-10. The plan assumes that Sustainability Funds will continue to be used to maintain a balanced budget.

	2009 - 2013 Strategic Plan			2013 - 2017 Strategic Plan				2017 - 2021 Strategic Plan				
	<i>Actual</i>	<i>BUDGET</i>	<i>BUDGET</i>	<i>Projections</i>								
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	
<i>Dollars in Thousands</i>												
Beginning Fund Balance	47,158	40,517	33,170	30,188	28,053	25,604	20,783	15,245	13,811	11,402	8,712	
REVENUES												
Tobacco Tax	14,238	14,010	13,510	13,037	12,581	12,141	11,837	11,541	11,253	10,971	10,697	
CARES PLUS	66	272	300									
AB212												
Interagency Income(SAMHSA/LAUNCH)	1,154	1,013	1,306	1,382	1,382	336	336	336				
Fiscal Leveraging	757	700	700	700	700	700	700	350				
Federal Grants (SART Approp. 2)	209	500	400									
Private Grants (Kellogg/Longs)		328	434	450	475							
Misc/RTT	(59)		538	607	724	413						
Investment Income	679	500	500	500	500	400	400	150	150	150	150	
TOTAL REVENUES	17,044	17,323	17,688	16,676	16,362	13,990	13,273	12,377	11,403	11,121	10,847	
EXPENSES												
Programs	20,942	17,010	17,139	16,000	16,000	16,000	16,000	11,000	11,000	11,000	11,000	
Evaluation & Technology	1,079	804	947	947	947	947	947	947	947	947	947	
Administration	1,664	985	1,050	980	980	980	980	980	980	980	980	
Infrastructure(SIS/Lease/Prof.Svc)		1,871	1,534	884	884	884	884	884	884	884	884	
TOTAL BUDGETED EXPENSES	23,685	20,670	20,670	18,811	18,811	18,811	18,811	13,811	13,811	13,811	13,811	
CASHFLOW												
Building	- - -	- - -	- - -									
Total Disbursements	23,685	24,670	20,670	18,811	18,811	18,811	18,811	13,811	13,811	13,811	13,811	
Excess of Disbursements over Receipts	(6,641)	(7,347)	(2,982)	(2,135)	(2,449)	(4,821)	(5,538)	(1,434)	(2,408)	(2,690)	(2,964)	
Ending Fund Balance	40,517	33,170	30,188	28,053	25,604	20,783	15,245	13,811	11,402	8,712	5,748	
MINIMUM FUND BALANCE REQUIRED (50% OR 6 Months of annual disbursement)	11,843	12,335	10,335	9,406	9,406	9,406	9,406	6,906	6,906	6,906	6,906	
Ending Fund Balance:												
Committed for Stabilization	\$ 40,517	\$ 33,170	\$ 29,688	\$ 28,053	\$ 25,604	\$ 20,783	\$ 15,245	\$ 13,311	\$ 11,402	\$ 8,712	\$ 5,748	
Provision for Reduction in Workforce Policy		\$ -	\$ 500	\$ -	\$ -			\$ 500	\$ -	\$ -	\$ -	
Total Ending Fund Balance	\$ 40,517	\$ 33,170	\$ 30,188	\$ 28,053	\$ 25,604	\$ 20,783	\$ 15,245	\$ 13,811	\$ 11,402	\$ 8,712	\$ 5,748	

LONG RANGE FINANCIAL PLAN - FORECASTED BUDGET, FUND BALANCE & MINIMUM FUND BALANCE RESERVE (\$000s)





To: First 5 Alameda County Commission

From: Mark R Rasiah, Financial Controller

Date: June 28, 2012

Subject: Sustainability Fund Balance Commitment- GASB 54

REQUESTED ACTION

To review and approve the transfer and commitment of sustainability funds.

BACKGROUND

There is no single number in governmental accounting and financial reporting that attracts more interest and discussion than *fund balance*. Fund balance, also referred to as net assets, is the difference between asset and liabilities in the governmental funds balance sheet. As of June 30, 2011, First 5 Alameda County (F5AC) had nearly \$17 million in fund balance and \$23.579 million in current liabilities, payable to the State of California under AB 99.

In 2011, the Governmental Accounting Standards Board (GASB) adopted Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This statement requires governments to revise how fund balance is reported in its financial statements. The planned use of net assets is required to be reported in various categories depending on the constraints imposed on the use of resources. The categories in which governments are required to categorize fund balance are (in order of most to least constrained): Nonspendable, Restricted, Committed, Assigned and Unassigned. The more constrained the resources, the less likely they can be redeployed to other uses.

GASB 54

A hierarchy of fund balance classifications has been created by the Governmental Accounting Standards Board (GASB), based primarily on the extent to which governments are bound by constraints on resources reported in the funds. This approach which is referred to as GASB 54 is intended to provide users more consistent and understandable information about a fund's net resources. GASB 54 went into effect in FY 2010-2011, and for the very first time F5AC fund

balance was presented accordingly in the financial statements for the fiscal year which ended on June 30th 2011. In summary, the hierarchy of five possible classifications of fund balance are:

Nonspendable Fund Balance

- Amounts that cannot be spent due to form; for example, inventories and prepaid amounts. Also, long-term loan and notes receivables, and property held for resale would be reported here.
- Amounts that must be maintained intact legally or contractually.

Restricted Fund Balance

- Amounts constrained for a specific purpose by external parties, constitutional provision or enabling legislation.

Committed Fund Balance

- Amounts constrained for a specific purpose by a government using its highest level of decision-making authority. It would require action by the same group to remove or change the constraints placed on the resources.
- Action to constrain resources must occur prior to year-end; however, the amount can be determined in the subsequent period.

Assigned Fund Balance

- For amounts constrained for the intent to be used for a specific purpose by a governing board or a body or official that has been delegated authority to assign amounts.

Unassigned Fund Balance

- For any remaining amounts not classified as any of the above.

F5AC's sustainability fund or stabilization fund currently meets the definition of "Assigned" as defined in GASB 54. These stabilization funds can be categorized as "Committed" by having formal board action. Therefore, we are asking the Commission to formally "commit" stabilization funds. This can be done with a simple Commission action stating what the stabilization funds must be used for.

AB 99

In May of 2011 the legislature approved Assembly Bill 99 at the urging of the Governor. Governor Brown subsequently signed it into law. The law required \$1 Billion to be transferred from First 5 Commissions throughout the state to the state general fund. First 5 Alameda County's share was \$23.579 million. Subsequently, the law was challenged and it was overturned in the courts. As of March 2012, the State had not appealed the ruling of the courts. Since this amount was set aside by Commission action, Staff is seeking Commission action to transfer the amount that was set aside, back to fund balance where it originally came from.

PROPOSED ACTION TO TRANSFER , “COMMIT” AND “ASSIGN” DESIGNATE FUND BALANCE

Motion:

1. To transfer \$23,579,000 from current liabilities to fund balance, with effect from June 30th 2012.
2. To accept Staff’s recommendation to “Commit” an amount not exceeding \$33 million of net assets as at June 30th, 2012, for budget stabilization (including multi-year program contracts), in accordance with the Long Range Financial Plan adopted by the Commission on June 22, 2012. Funds committed to budget stabilization shall only be used to maintain F5AC services as long as possible during anticipated funding declines in accordance with the Long Range Financial Plan. They can only be committed to other uses by a majority vote of the Commission. These funds are not anticipated to be replenished after they are used for budget stabilization.
3. To accept staff’s recommendation to “Assign” an amount not exceeding \$5 million of fund balance as at June 30th 2012, for the express purpose of purchasing and refurbishing a building for the use of First 5 Alameda County.

FISCAL IMPACT

Fund balance reported as at June 30th 2012, will include \$23.579 million that was set aside for AB 99 by Commission action in June last year. The amount reported *as total fund balance* will be reclassified as stated in the motion above, into the categories and terminology used to describe its components in accordance with GASB 54.

Use of Fund Balance	Maximum Amount	GASB 54 Classification
Budget stabilization - LRF	\$33,000,000 million	Committed Fund Balance
Purchase & refurbish a building	\$5,000,000 million	Assigned Fund Balance
Put back funds set aside for AB 99	\$23,579,000 million	Transfer to Fund Balance from current liabilities

RECOMMENDATION: That the Commission review and approve the transfer and classification of sustainability funds as outlined above.

Submitted by:

Reviewed by:

 Mark R Rasiah,
 Financial Controller

 Mark Friedman,
 Chief Executive Officer



To: First 5 Alameda County Commission
From: Mark R Rasiah, Financial Controller
Date: June 28, 2012
Subject: Investment Report for the period July 1, 2011 – March 31, 2012

REQUESTED ACTION

To review the Investment Report for the first 9 months of FY2011-12.

BACKGROUND OF ACTIVITIES

The investment objectives of the First 5 Alameda County Agency are first, to provide safety of principal to ensure the preservation of capital in the overall portfolio; second, to provide sufficient liquidity to meet all requirements that may be reasonably anticipated; and third, to earn a commensurate rate of return consistent with the constraints imposed by the safety and liquidity objectives.

The performance objective of the First 5 Alameda County Agency portfolio is to earn a total rate of return that exceeds the total rate of return on a market benchmark index of 1-5 Year Government securities.

In 2005-06, First 5 Alameda County transferred \$34,000,000 from the Sustainability Fund held by the Alameda County Treasurer's investment pool to outside money managers. This report summarizes the activity and status of the investment portfolio as of September 30, 2011.

PORTFOLIO HIGHLIGHTS

This Investment Report shows the performance of funds that are invested in the Alameda County pool and with two money managers, Cutwater Asset Management and Chandler Asset Management.

At 2010-11 year end, the total market value of the funds with Cutwater and Chandler was approximately \$37 million. This amount represents First 5 Alameda County's Sustainability Funds. In keeping with prior years, \$2 million was withdrawn from the

portfolio managed by Cutwater to meet operating needs, leaving the market value of the combined portfolio at the end of March at a little over \$35 million.

Since May 2011 portions of the combined portfolio had been selectively liquidated to prepare for the \$23.5 million cash transfer to the State under AB 99 in June 2012. This action resulted in nearly \$12 million cash in hand, as of December 31st. With that threat being removed, Staff instructed the money managers to resume investing the cash. Nevertheless, the extended cash position has resulted in lower portfolio yields for a better part of the current fiscal year.

INVESTMENT REPORT

Investment Income

Investment income is primarily derived from interest or yield payments on securities held in the investment portfolio. Typically, interest income from each security is received semi-annually. The money managers buy, sell and exchange securities consistent with the First 5 Alameda County Investment Policy in order to optimize overall yields.

Net investment earnings for the nine months ended March 31, 2012 totaled \$379,213 and includes \$1,800 from the Alameda County Treasurer's Office.

Investment Fees

Fees include those levied by the money managers (Cutwater and Chandler) and the fees levied by the account custodian (Union Bank of California). The total fee paid during July 1, 2011 to March 31, 2012 was \$27,223.

Investment Activity

The Investment Activity shows all transactions affecting the portfolio. A purchase of securities increases the value of the portfolio whereas the sale of securities decreases the total portfolio value and may result in a gain or loss on the transaction.

Market Value and Unrealized Gains and Losses

There was an unrealized loss of \$12,330 at the end of March. This is determined by comparing the Cost and the Market Value of the portfolio on that date. It implies that a loss would have been realized, had the portfolio been liquidated on March 31st. Since the portfolio was not liquidated, this section is for information only. The Governmental Accounting Standards Board requires Government entities to report unrealized gains and losses on investments (GASB 31).

Yield Benchmarks

Investment yields are compared to the Local Agency Investment Fund (LAIF) yields in order to benchmark investment manager performance. Cutwater and Chandler’s yields (0.18% and 0.26%, respectively) have been less than the LAIF benchmark (0.38%) for the same period, primarily due to the large cash position in the respective portfolios.

The Alameda County Treasury Investment Pool is net of fees and has yielded 0.50%

FISCAL IMPACT

The net realized investment earnings at the end of the 3rd quarter were \$379,213.

Recommendation: That the Commission review the Investment Report for the first nine months of FY2011-12.

Submitted by:

Reviewed by:

Mark R Rasiah,
Financial Controller

Mark Friedman,
Chief Executive Officer

**First 5 Alameda County
Investment Report
For the Period July 1, 2011 - March 31 2012**

	<u>Union Bank</u>	<u>Cutwater Asset Management</u>	<u>Chandler Asset Management</u>	<u>Total</u>
INVESTMENT INCOME:				
Interest Received		176,382	228,254	404,636
Income from Alameda County Treasurer				1,800
Total Investment Earnings				406,436
Investment Fees Paid	(4,519)	(10,296)	(12,408)	(27,223)
Net Investment Income (Net of Fees)				379,213
INVESTMENT ACTIVITY:				
Portfolios - Cost Basis at 7/01/11		19,189,348	17,720,944	36,910,292
Purchases		13,868,340	9,620,895	23,489,235
Sales		(17,104,206)	(9,386,501)	(26,490,708)
Maturities		(2,805,835)	(1,313,722)	(4,119,558)
Cash Disbursement		2,000,000	0	2,000,000
Net Cash Management		2,174,038	1,234,122	3,408,160
Portfolios - Cost Basis at 3/31/2012		17,321,684	17,875,737	35,197,421
COST VS. MARKET VALUE:				
Portfolios at Market 3/31/2012		17,264,381	17,920,710	35,185,091
Portfolios at Cost 3/31/2012		17,321,684	17,875,737	35,197,421
Unrealized Gain (Loss) at 3/31/2012		(57,303)	44,973	(12,330)
YIELD AND BENCHMARKS:				
Cutwater Asset Management (current yield)				0.18%
Chandler Asset Management (current yield)				0.26%
Local Agency Investment Fund (LAIF)				0.38%
Alameda County Treasurer's Pool				0.50%
1-5 Government Index (total rate of return)				-0.11%

Note: The high cash content of the portfolios in anticipation of paying for AB 99, has impacted yields adversely over the past 9 months.

**First 5 Alameda County
Combined Holdings Report
As Of March 31, 2012**

<u>Holder</u>	<u>Asset Name</u>	<u>Shares</u>	<u>Cost</u>	<u>Market Value</u>	<u>Asset Type</u>	<u>S & P</u>	<u>Moody</u>
Chandler	FFCB BDS	110,000	119,717	115,732	Other Fed Govt	AAA	Aaa
Chandler	FFCB BDS	130,000	192,248	138,054	Other Fed Govt	AAA	Aaa
Chandler	FFCB BDS	460,000	458,882	472,535	Other Fed Govt	AAA	Aaa
Chandler	FFCB BDS	315,000	318,424	317,221	Other Fed Govt	AA+	Aaa
Chandler	FFCB BDS	150,000	158,349	156,128	Other Fed Govt	AAA	Aaa
Chandler	FFCB BDS	320,000	317,789	318,704	Other Fed Govt	AAA	Aaa
Chandler	FHLB Note	150,000	148,374	156,453	Other Fed Govt	AAA	Aaa
Chandler	FHLB Note	350,000	342,595	363,559	Other Fed Govt	AAA	Aaa
Chandler	FHLB Note	280,000	281,806	280,790	Other Fed Govt	AAA	Aaa
Chandler	FHLB Note	75,000	75,251	75,212	Other Fed Govt	AAA	Aaa
Chandler	FHLB Note	115,000	119,784	120,647	Other Fed Govt	AA+	Aaa
Chandler	FHLB Note	310,000	318,680	318,249	Other Fed Govt	AA+	Aaa
Chandler	FHLB Note	315,000	322,306	321,713	Other Fed Govt	AA+	Aaa
Chandler	FHLB Note	305,000	317,645	314,586	Other Fed Govt	AA+	Aaa
Chandler	FHLB Note	160,000	160,147	159,808	Other Fed Govt	AA+	Aaa
Chandler	FHLMC NTS	300,000	32,731	319,449	Other Fed Govt	AA+	Aaa
Chandler	FHLMC NTS	105,000	107,660	109,157	Other Fed Govt	AA+	Aaa
Chandler	FHLMC NTS	200,000	208,218	207,918	Other Fed Govt	AA+	Aaa
Chandler	FHLMC NTS	110,000	115,487	116,837	Other Fed Govt	AA+	Aaa
Chandler	FHLMC NTS	200,000	212,681	212,430	Other Fed Govt	AA+	Aaa
Chandler	FHLMC NTS	40,000	40,036	40,048	Other Fed Govt	AA+	Aaa
Chandler	FHLMC NTS	200,000	207,063	206,640	Other Fed Govt	AA+	Aaa
Chandler	FHLMC NTS	110,000	112,848	113,652	Other Fed Govt	AA+	Aaa
Chandler	FHLMC NTS	325,000	326,989	326,671	Other Fed Govt	AA+	Aaa
Chandler	FHLMC NTS	325,000	320,466	320,492	Other Fed Govt	AA+	Aaa
Chandler	FNMA	150,000	148,803	156,404	Other Fed Govt	AAA	Aaa
Chandler	FNMA	65,000	66,771	65,369	Other Fed Govt	AAA	Aaa
Chandler	FNMA NTS	315,000	316,599	316,796	Other Fed Govt	AA+	Aaa
Chandler	FNMA NTS	100,000	98,774	102,906	Other Fed Govt	AAA	Aaa
Chandler	FNMA NTS	205,000	214,668	214,166	Other Fed Govt	AA+	Aaa
Chandler	FNMA	100,000	98,324	104,471	Other Fed Govt	AAA	Aaa
Chandler	FNMA NTS	270,000	270,425	273,194	Other Fed Govt	AA+	Aaa
Chandler	FNMA NTS	50,000	50,557	50,592	Other Fed Govt	AA+	Aaa
Chandler	FNMA NTS	300,000	317,318	316,836	Other Fed Govt	AA+	Aaa
Chandler	FNMA NTS	300,000	315,824	313,911	Other Fed Govt	AA+	Aaa

**First 5 Alameda County
Combined Holdings Report
As Of March 31, 2012**

<u>Holder</u>	<u>Asset Name</u>	<u>Shares</u>	<u>Cost</u>	<u>Market Value</u>	<u>Asset Type</u>	<u>S & P</u>	<u>Moody</u>
Chandler	FNMA NTS	320,000	322,277	320,774	Other Fed Govt	AA+	Aaa
Chandler	Tenn Vy Auth Ser A	50,000	53,202	50,455	Other Fed Govt	AAA	Aaa
Chandler	Tenn Vy Auth Ser A	265,000	286,967	267,409	Other Fed Govt	AAA	Aaa
Chandler	Tenn Vy Auth Ser A	150,000	154,915	158,844	Other Fed Govt	AAA	Aaa
Chandler	Bank of America	335,000	347,519	337,007	Corporate Bonds	AAA	Aaa
Chandler	Bank of New York Mellor	110,000	263,428	119,716	Corporate Bonds	A+	Aa3
Chandler	Bank of New York Mellor	105,000	115,284	114,275	Corporate Bonds	A	Aa3
Chandler	Berkshire Hathaway Fin	220,000	219,817	234,373	Corporate Bonds	AA+	Aa2
Chandler	Berkshire Hathaway Fin	40,000	40,966	42,613	Corporate Bonds	AA+	Aa2
Chandler	Black Rocking NTS	110,000	113,304	117,784	Corporate Bonds	A+	A1
Chandler	Black Rocking NTS	50,000	53,820	53,538	Corporate Bonds	A+	A1
Chandler	Chevron Corp	35,000	36,426	37,277	Corporate Bonds	AA	Aa1
Chandler	Chevron Corp	115,000	121,486	122,483	Corporate Bonds	AA	Aa1
Chandler	Chevron Corp	95,000	99,886	101,182	Corporate Bonds	AA	Aa1
Chandler	COCA-Colants	100,000	99,888	99,722	Corporate Bonds	A+	Aa3
Chandler	COCA-Colants	100,000	99,791	99,722	Corporate Bonds	A+	Aa3
Chandler	Disney Walt Co	150,000	161,306	160,053	Corporate Bonds	A	A2
Chandler	Ebay Inc	125,000	124,781	127,459	Corporate Bonds	A	A2
Chandler	Goldman Sachs	330,000	331,884	332,030	Corporate Bonds	AAA	Aaa
Chandler	Goldman Sachs	90,000	271,768	90,554	Corporate Bonds	AAA	Aaa
Chandler	GECC FDIC	120,000	120,114	121,642	Corporate Bonds	AAA	Aaa
Chandler	GECC NTS	70,000	79,272	76,939	Corporate Bonds	AA+	Aa2
Chandler	GECC NTS	165,000	180,764	181,356	Corporate Bonds	AA+	Aa2
Chandler	General Elec Cap Corp	55,000	58,332	60,452	Corporate Bonds	AA+	Aa2
Chandler	IBM Corp	110,000	110,733	111,959	Corporate Bonds	A+	Aa3
Chandler	JP Morgan Chase & Co	115,000	113,420	116,628	Corporate Bonds	AAA	Aaa
Chandler	JP Morgan Chase & Co	110,000	111,143	115,990	Corporate Bonds	A+	Aa3
Chandler	JP Morgan Chase & Co	120,000	124,498	126,534	Corporate Bonds	A	Aa3
Chandler	PNC FDG	515,000	523,019	517,415	Corporate Bonds	AAA	Aaa
Chandler	Praxair	85,000	97,347	94,699	Corporate Bonds	A	A2
Chandler	US Bancorp	110,000	109,862	110,955	Corporate Bonds	A+	Aa3
Chandler	US Bancorp	155,000	155,536	156,345	Corporate Bonds	AAA	Aaa
Chandler	Wells Fargo	515,000	518,867	517,029	Corporate Bonds	AAA	Aaa
Chandler	Wells Fargo	175,000	182,084	187,717	Corporate Bonds	AA-	Aa3
Chandler	Wells Fargo	50,000	52,783	53,634	Corporate Bonds	A+	A1
Chandler	U.S. Treasury Notes	100,000	104,739	104,727	U.S. Treasury	AA+	Aaa

**First 5 Alameda County
Combined Holdings Report
As Of March 31, 2012**

<u>Holder</u>	<u>Asset Name</u>	<u>Shares</u>	<u>Cost</u>	<u>Market Value</u>	<u>Asset Type</u>	<u>S & P</u>	<u>Moody</u>
Chandler	U.S. Treasury Notes	300,000	224,897	301,008	U.S. Treasury	TSY	TSY
Chandler	U.S. Treasury Notes	100,000	103,473	108,938	U.S. Treasury	AA+	Aaa`
Chandler	U.S. Treasury Notes	205,000	214,458	207,500	U.S. Treasury	AA+	Aaa`
Chandler	U.S. Treasury Notes	400,000	395,938	402,984	U.S. Treasury	TSY	TSY
Chandler	U.S. Treasury Notes	450,000	451,371	459,459	U.S. Treasury	TSY	TSY
Chandler	U.S. Treasury Notes	110,000	117,168	116,368	U.S. Treasury	TSY	TSY
Chandler	U.S. Treasury Notes	190,000	202,722	200,999	U.S. Treasury	AA+	Aaa
Chandler	U.S. Treasury Notes	205,000	210,358	209,084	U.S. Treasury	AA+	Aaa
Chandler	U.S. Treasury Notes	105,000	106,543	107,092	U.S. Treasury	AA+	Aaa
Chandler	U.S. Treasury Notes	315,000	318,102	315,788	U.S. Treasury	AA+	Aaa
Chandler	U.S. Treasury Notes	320,000	321,014	318,650	U.S. Treasury	AA+	Aaa
Chandler	Highmark Money Market	2,014,229	2,014,229	2,014,229	Money Market	AAA	Aaa
Cutwater	FFCB	1,000,000	1,027,780	1,000,260	Other Fed Govt	Aaa	AAA
Cutwater	FFCB	385,000	384,904	384,138	Other Fed Govt	Aaa	AA+
Cutwater	FHLMC	1,000,000	1,031,000	1,028,850	Other Fed Govt	Aaa	AA+
Cutwater	FHLMC	3,500,000	3,471,563	3,487,925	Other Fed Govt	Aaa	AA=
Cutwater	FHLMC	1,000,000	1,000,000	995,860	Other Fed Govt	AAA	AA+
Cutwater	FNMA	1,000,000	999,750	1,003,190	Other Fed Govt	Aaa	AAA
Cutwater	FNMA	325,000	324,838	325,029	Other Fed Govt	Aaa	AA+
Cutwater	FNMA	500,000	500,000	499,385	Other Fed Govt	Aaa	AA+
Cutwater	Colgate Palmolive NT	910,000	930,511	924,979	Corporate Bonds	Aa3	AA-
Cutwater	GE Cap Corp	1,000,000	1,029,100	1,025,080	Corporate Bonds	Aa2	AA+
Cutwater	Johnson & Johnson SR	791,000	833,168	823,597	Corporate Bonds	Aaa	AAA
Cutwater	TIAA GLOBAL	250,000	269,955	255,755	Corporate Bonds	Aa1	AAA
Cutwater	Merck & Co Inc	720,000	797,918	790,697	Corporate Bonds	Aa1	AAA
Cutwater	Metro Life Global	500,000	535,100	529,680	Corporate Bonds	Aa3	AA-
Cutwater	NY Life Global Bonds	250,000	249,870	254,070	Corporate Bonds	Aaa	AAA
Cutwater	NY Life Global Bonds	1,000,000	1,020,500	1,016,280	Corporate Bonds	Aaa	AA+
Cutwater	Kells FDG LLC	500,000	498,787	498,520	Commercial Paper	Aa1	AAA
Cutwater	U.S. Treasury Notes	500,000	498,125	505,410	U.S. Treasury	Aaa	AAA
Cutwater	U.S. Treasury Notes	450,000	458,332	452,673	U.S. Treasury	Aaa	AAA
Cutwater	U.S. Treasury Notes	500,000	499,219	501,740	U.S. Treasury	Aaa	AAA
Cutwater	Highmark Money Market	961,264	961,264	961,264	Money Market	AAA	Aaa
Total			35,197,421	35,185,091			



To: First 5 Alameda County Commission
From: Mark R Rasiah, Financial Controller
Date: June 28, 2012
Subject: Financial Report for the period July 1 – March 31, 2012

REQUESTED ACTION

To review the Financial Report for the first nine months of FY2011-12.

BACKGROUND

This narrative and the attached statements report Revenues and Expenses for the period July 1 – March 31, 2012. With nine months (or 75%) of the fiscal year complete, 75% of the revenues have been received, and 55% of the budget expended.

Revenue

As of March 31, revenues were at \$12.9m, or 75% of the revenue projection for the year. Of this amount:

- Tobacco Tax receipts of \$10.8m (77% of budget) were in line with expectations for the first nine months of the year. Tax receipts include allocations through March and are two months in arrears as in prior years.
- Income from Alameda County agencies were budgeted at nearly \$1.0m, representing
 - Behavioral Health Care Services (BHCS) grant for Early Connections - \$305,184.
 - Public Health Department grant for Project LAUNCH Substance Abuse Mental Health Administration (SAMSHA) - \$608, 237.
 - SART Linkage Line - \$100,000.
- The Federal Grants Budget represents the reimbursable amount from the second earmark for the SART program.

- A Private Grant from the Long Foundation to expand some school readiness sites was budgeted along with a grant for Help Me Grow from the Kellogg Foundation. Both grant amounts have been received as of May 2012.
- Revenues for Medi-Cal Administrative Activities (MAA) were budgeted at \$700,000 for FY 2011-12. Actual receipts were higher by \$37,000.
- Investment revenue income for the nine month period was \$379,213 and represents 76% of conservative budget projections.
- \$2 million of Sustainability funds from the First 5 Alameda County Sustainability Fund reserves were drawn down in February, to meet cash flow needs to bridge the gap between revenues and expenses. This amount is well within the limits authorized by the Commission for FY 11/12.

Expenses

Total expenditure for the first nine months was \$11.7m, or 55% of the budgeted amount of \$21.415m. This is slightly lower than in the corresponding period for the previous year. This is attributable to timing differences in payments to vendors, grantees, contractors and others.

Major line item expenditures such as Salaries and Benefits, Grants and Contracts, Infrastructure and Building Lease costs are tracking within 75% of budget for this time of year. It is anticipated that as the year draws to a close, many of these items will move closer to the budget in keeping with the customary invoicing cycle which tends to be skewed heavily towards the latter part of the fiscal year.

Summary

Revenues are at 75% of budget and expenses are at approximately 55% of budget. These are as expected and in line with the progression of the fiscal year.

Fiscal Impact

None.

Recommendation: That the Commission review the Financial Report for the first nine months of FY2011-12.

Submitted by:

Reviewed by:

Mark R Rasiah
Financial Controller

Mark Friedman
Chief Executive Officer

First 5 Alameda County
Revenue and Available Funds
For the Period July 1 - March 31, 2012

Revenues	REVISED BUDGET	Actual	Variance	Percentage Received
Prop 10 Tobacco Tax	14,010,000	10,779,000	(3,231,000)	77% A
Interagency Income	1,013,421	706,956	(306,465)	70% B
Grants				
Federal - Earmark #2	500,000	0	(500,000)	0%
State - Cares Plus	272,000	21,633	(250,367)	8%
Private - Longs, Kellogg Fdn.	328,317	306,900	(21,417)	93%
	1,100,317	328,533	(771,784)	30%
Fiscal Leveraging				
Medi-Cal Administrative Activities (MAA)	700,000	737,147	37,147	105% c
	700,000	737,147	37,147	105%
Investment Revenue	500,000	379,213	(120,787)	76%
Total Revenues	17,323,738	12,930,849	(4,392,889)	75%

Available Funds				
Sustainability Fund	4,091,262	2,000,000	(2,091,262)	49%
Total Available Funds	4,091,262	2,000,000	(2,091,262)	49%

TOTAL REVENUES & AVAILABLE FUNDS	21,415,000	14,930,849	(6,484,151)	70%
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Notes:

- A - Tobacco tax revenues received include allocations through March 2012
- B - A major portion of the budget is for SAMSHA Project LAUNCH federal grant funds.
- C - MAA reimbursement for FY 2010-11, received in April. 2012.

First 5 Alameda County

Budget Vs Actual Expenditure
For the Period July 1, 2011 - March 31, 2012

	Continuum of Care		Prov. Capacity Building		Policy. Advocacy. Comm.		Eval. & Technology		Administration		Infrastructure		Total		% Spent to date
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	
Personnel Costs															
Salaries & Benefits	2,872,793	1,951,710	1,889,102	1,255,866	186,539	139,904	701,517	406,558	933,693	606,987			6,583,644	4,361,025	66%
Program Contracts/Grants															
Contracts	6,353,412	2,576,918	3,199,578	1,477,610			115,000	52,968			904,000	561,194	10,571,990	4,668,690	44%
Grants			2,338,822	1,783,012									2,338,822	1,783,012	76%
Professional Services Contracts	190,000	38,085	55,250	1,500									245,250	39,585	16%
Total Contracts/Grants	6,543,412	2,615,003	5,593,650	3,262,122	0	0	115,000	52,968	0	0	904,000	561,194	13,156,062	6,491,287	49%
Program Operating Costs	322,325	145,097	222,900	18,256			12,200	5,467	68,350	32,423	3,000	4,805	628,775	206,048	33%
TOTAL DIRECT PROGRAM COSTS	9,738,530	4,711,810	7,705,652	4,536,244	186,539	139,904	828,717	464,993	1,002,043	639,410	907,000	565,999	20,368,481	11,058,360	54%

INDIRECT COSTS

Communications	30,000	13,859	30,000	13,859	46%
Copying/Printing	30,000	15,785	30,000	15,785	53%
Equipment Leases/Rentals/Maint.	3,000	4,022	3,000	4,022	134%
Equipment Purchase	36,000	46,338	36,000	46,338	129%
Insurance	85,000	53,407	85,000	53,407	63%
Membership and Dues	22,000	21,000	22,000	21,000	95%
Professional Services	158,000	78,662	158,000	78,662	50%
Space Rental	660,000	476,609	660,000	476,609	72%
Depreciation	22,519	0	22,519	0	0%
Total Infrastructure	1,953,519	1,275,681	1,046,519	709,682	68%

TOTAL

21,415,000	11,768,042	55%
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**First 5 Alameda County
Proposed Modifications to the
Expenditure Budget
For the Period July 1, 2011 - June 30, 2012**

Expenditures	Revised Budget FY 2011-12	Actual Expenses FY 2011-12	Variance (Over)/Under Expenditure	% Spent-to- Date
Personnel Costs	6,583,644	4,361,025	2,222,619	66%
Contracts	10,571,990	4,668,690	5,903,300	44%
Grants	2,338,822	1,783,012	555,810	76%
Professional Services Contracts	245,250	39,585	205,665	16%
Program Operating Costs	628,775	206,048	422,727	33%
Infrastructure Costs	1,046,519	709,682	336,837	68%
TOTAL EXPENDITURES	21,415,000	11,768,042	9,646,958	55%



To: First 5 Alameda County Commission

From: Mark R Rasiah, Financial Controller

Date: June 28, 2012

Subject: Investment Policy Recommendations

ACTION REQUESTED

To review and approve the following the Investment Policy recommendations.

BACKGROUND

First 5 Alameda County (F5AC) adopted an Investment Policy in May 2005, which was amended on December 2005, May 2006 and every year since June 2007. In accordance with the Investment Policy Section VIII.1, “the CEO or his designee shall annually render a statement of investment policy, which the Board will consider at a public meeting”.

Each year, prior to such review, First 5 Alameda County Finance staff works with the money managers to discuss any proposed changes to the policy or changes in California Government Code Section 53600, which guides the investment of public funds.

RECOMMENDATIONS

This version of the Investment Policy document remains substantially unchanged from that approved by the Commission in June 2011. There are a few minor format edits but no revisions.

These recommendations are made in the attached document in track changes format for easy identification.

FISCAL IMPACT

There is no fiscal impact.

RECOMMENDATION

That the Commission review and approve the proposed Investment Policy.

Submitted by:

Reviewed by:

Mark R Rasiah
Financial Controller

Mark Friedman
Chief Executive Office



FIRST 5 ALAMEDA COUNTY INVESTMENT POLICY

**ADOPTED MAY 2005, AMENDED DEC. 2005, MAY 2006, JUNE 2007, JUNE 2008, JUNE 2009, JUNE 2010
~~AND JUNE 2011, AND JUNE 2012~~**

I. APPLICABILITY

The Investment Policy (the "Policy") of First Five Alameda County ("F5AC") is intended to cover all funds and investment activities under the direction of F5AC. All funds shall be invested in accordance with this Policy and California Government Code Section 53601 et seq. related to the investment of public funds.

The primary funds available for investment are maintained in F5AC's Sustainability Fund. The Long Range Financial Plan guides F5AC's use of the Sustainability Fund with the goal of sustaining program spending at a high level as the tobacco tax declines. It is anticipated that the Sustainability Fund will be used by F5AC for program services over the course of the next 8-10 years.

The Sustainability Fund (the "Fund") was accumulated in several ways: First, the Fund developed through the initial reserve that occurred when tax dollars were accumulated but funds could not be spent until a Strategic Plan was passed (Jan. 1999 - Jan. 2000). In addition, contributions to the Sustainability Fund were budgeted over a number of years (2001 - 2004). Finally, budgeted funds that remained unspent were directed to the Sustainability Fund rather than rolling to the subsequent year's budget (2001-present).

The Executive Committee shall assure that F5AC operates its investing activities in accordance with this Policy. To carry out this charge, the Executive Committee's responsibilities include the following:

1. Review the overall investment philosophy of F5AC, determine whether the investment practices follow that philosophy and this Policy, and recommend appropriate changes to the Board.
2. Establish benchmarks and strategies for the investment portfolio. Monitor the investment performance of F5AC's portfolio for compliance with established benchmarks.
3. Monitor the cash flow requirements of F5AC and assure investments mature to provide the amounts needed. Periodically review the appropriateness of the model and assumptions used to estimate these requirements.
4. Ensure F5AC's compliance with applicable laws and regulations.
5. Monitor and direct the selection, evaluation, and retention of each broker/dealer, investment manager, custodian or other agent utilized by F5AC to implement the investment function. Negotiate compensation with them and monitor expenses paid and services received.

Prepare quarterly investment reports and present to the Commission. Also communicate to the Commission actions taken by the Committee in meeting the responsibilities described herein.

II. OBJECTIVES

F5AC's funds shall be invested in accordance with all applicable F5AC policies and codes, State statutes, and Federal regulations, and in a manner designed to accomplish the following objectives, which are listed in priority order:

1. **SAFETY.** Safety of principal is the foremost objective of the investment program. The objective shall be to mitigate credit risk and interest rate risk.
 - a. *Credit Risk.* F5AC shall minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:
 - Limiting investments to the types of securities listed in Section VI of this Policy.
 - Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which F5AC will do business in accordance with Section IV.
 - Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer shall be minimized.
 - b. *Interest Rate Risk.* F5AC shall minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:
 - Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity to meet liquidity needs.
 - Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio in accordance with Section VII of this Policy.
2. **LIQUIDITY.** The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). In addition, F5AC shall maintain a minimum of three months of operating expenditures in the Alameda County Treasury.
3. **YIELD.** The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities generally shall be held until maturity, with the following exceptions:
 - A security with declining credit may be sold early to minimize loss of principal.
 - A security swap would improve the quality, yield, or target duration in the portfolio.

- Liquidity needs of the portfolio require that the security be sold.

III. STANDARDS OF CARE

1. **PRUDENCE.** The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. The "prudent person" standard states that "Investments shall be made with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency." Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.

F5AC's overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. F5AC's recognizes that no investment is totally without risk and that the investment activities of F5AC are a matter of public record. Accordingly, F5AC recognizes that occasional measured losses may occur in a diversified portfolio and shall be considered within the context of the overall portfolio's return, provided that adequate diversification has been implemented and that the sale of a security is in the best long-term interest of F5AC.

The Financial Controller and authorized investment personnel acting in accordance with established procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectations are reported in a timely fashion to the Executive Committee and appropriate action is taken to control adverse developments.

2. **ETHICS AND CONFLICTS OF INTEREST.** Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Portfolio managers who are dealers should not buy securities from their own or related companies. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of F5AC. Individuals acting on behalf of F5AC in accordance with this Policy and related written procedures and exercising due diligence shall be relieved of personal liability for any individual security's risk or market changes.
3. **DELEGATION OF AUTHORITY.** The management responsibility for the investment program is hereby delegated to the Chief Executive Officer (the CEO) who has further delegated the authority to conduct investment transactions and to manage the operation of the investment portfolio to the Financial Controller. The Financial Controller shall maintain a list of persons authorized to transact securities business for F5AC and no person may engage in an investment transaction except as expressly provided under the terms of this Policy.

The Financial Controller shall develop written administrative procedures and internal controls, consistent with this Policy, for the operation of F5AC's investment program. Such procedures shall be designed to prevent losses arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees.

F5AC's Financial Controller may engage the support services of outside investment advisors in regard to its investment program, so long as it can be demonstrated that these services produce a net financial advantage or necessary financial protection of the Town's financial resources. The advisor(s) shall follow this Policy and such other written instructions as are provided.

IV. SELECTION OF FINANCIAL INSTITUTIONS, DEPOSITORIES AND BROKER/DEALERS

1. SELECTION OF FINANCIAL INSTITUTIONS AND DEPOSITORIES

The Financial Controller shall maintain a list of FDIC insured banks approved to provide depository and other banking services for F5AC. To be eligible, a bank shall qualify as a depository of public funds in the State of California as defined in California Government Code Section 53630.5 and shall secure deposits in excess of FDIC insurance coverage in accordance with California Government Code Section 53652.

2. SELECTION OF BROKER/DEALERS. The Financial Controller shall maintain a list of broker/dealers authorized to provide investment services. All broker/dealers who desire to become qualified for investment transactions must meet the following criteria:

- Be recognized as a Primary Dealer by the Federal Reserve Bank of New York or have a primary dealer within their holding company structure; or
- Report voluntarily to the Federal Reserve Bank of New York; or
- Qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (Uniform Net Capital Rule).

Each authorized broker/dealer shall maintain a minimum capital requirement of \$10,000,000 and have been in operation at least five years. In addition, authorized broker/dealers shall submit and annually update a F5AC approved Broker/Dealer Information Request form which includes the following information:

- The firm's most recent financial statements;
- Proof of Financial Industry Regulatory Authority (FINRA) certification; and
- Evidence of adequate insurance coverage.

Furthermore, authorized broker/dealers must be licensed by the State of California as a broker/dealer as defined in Section 25004 of the California Corporations Code.

In the event that an external investment advisor is not used in the process of recommending a particular transaction in F5AC's portfolio, authorized broker/dealers shall attest in writing that they have received and reviewed a copy of this Policy.

An annual review of the financial condition and registration of all qualified broker/dealers shall be conducted by the Financial Controller and the Executive Committee.

3. MINORITY AND COMMUNITY FINANCIAL INSTITUTIONS. From time to time, the Financial Controller may choose to invest in instruments offered by minority and community financial institutions. In such situations, a waiver to certain parts of the criteria under Paragraph 2 may be granted by the Executive Committee. All terms and relationships shall be fully disclosed to the Executive Committee prior to purchase.

34. WORKING WITH INVESTMENT ADVISORS/PORTFOLIO MANAGERS. Investment advisors and portfolio managers shall be selected by the Finance Committee or their designee after an initial screening and an interview process. Among the criteria for selection shall be the stability of the institution, track record, customer service, ability to comply with these investment policies, and typical return on investment.

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Portfolio managers shall maintain detailed accounting records related to investment transactions and balances. They shall prepare and submit the following reports and records to F5AC:

- Monthly, a list of investments owned, including type of security, CUSIP number, number of shares, date purchased, maturity date, interest rate, accrued interest, purchase cost and market value.
- Investment advice within five business days of any trade.
- Documentation supporting three bids or offers obtained for each security purchased or sold.
- Quarterly, a report demonstrating compliance with this Policy.
- Notice of noncompliance, within five business days of the transaction, when the rating of an individual security declines below that allowed by this Policy, or the percentage of the portfolio in an investment type exceeds the maximum allowed by this Policy, or the amount allowed to be invested in one issuer exceeds the percentage allowed by this Policy.

V. SAFEKEEPING AND CUSTODY

The Financial Controller shall select one or more financial institutions to provide safekeeping and custodial services for F5AC. A Safekeeping Agreement shall be executed with each custodian bank prior to utilizing that bank's safekeeping services. Custodian banks shall be selected on the basis of their ability to provide services for F5AC's account and the competitive pricing of their safekeeping related services.

The purchase and sale of securities and repurchase agreement transactions shall be settled on a delivery versus payment basis. All securities shall be perfected in the name of the F5AC.

Sufficient evidence to title shall be consistent with modern investment, banking and commercial practices.

All investment securities, except non-negotiable Certificates of Deposit, Money Market Funds and LAIF, purchased by the F5AC shall be delivered by either book entry or physical delivery and shall be held in third-party safekeeping by a F5AC approved custodian bank, its correspondent bank or its Depository Trust Company (DTC) participant account.

All Fed wireable book entry securities owned by the F5AC shall be held in the Federal Reserve System in a customer account for the custodian bank which shall name the F5AC as "customer."

All DTC eligible securities shall be held in the custodian bank's DTC participant account and the custodian bank shall provide evidence that the securities are held for the F5AC as "customer."

All non-book entry (physical delivery) securities shall be held by the custodian bank or its correspondent bank and the custodian bank shall provide evidence that the securities are held by the bank for the Town as "customer."

VI. ELIGIBLE INVESTMENTS

A. Authorized Investments

All investments shall be made in accordance with Sections 16429.1, 53600 – 53609, and 53630 – 53686 of the Government Code of California and as described within this Policy. Permitted investments under this Policy shall include:

1. U.S. Treasury Obligations: Treasury bills, Treasury notes, Treasury bonds and Treasury STRIPS with maturities not exceeding six years from the date of trade settlement. There is no limit on the percentage of the portfolio that may be invested in these obligations.
2. Federal Instrumentality Securities: Debentures, discount notes, callable securities, step-up securities and stripped principal or coupons with maturities not exceeding five years from the date of trade settlement. Federal Instrumentality securities shall be rated at least AAA or the equivalent by a nationally recognized statistical-rating organization (NRSRO) at the time of purchase. There is no limit on the percentage of the portfolio that may be invested instrumentalities.
3. Negotiable Certificates of Deposit: Certificates of Deposit with a maturity not exceeding five years and issued by institutions which have long-term debt rated at least A or the equivalent by a NRSRO and/or have short-term debt rated at least A1 or the equivalent by a NRSRO. No more than 30% of the total portfolio may be invested in CDs
4. Repurchase agreements: Repurchase Agreements with a final maturity date not exceeding 1 year, collateralized by U.S. Treasury obligations or Federal Instrumentality securities listed in items 1 and 2. For the purpose of this section,

the term collateral shall mean purchased securities under the terms of F5AC's approved Master Repurchase Agreement. The purchased securities shall have a minimum market value including accrued interest of 102% of the dollar value of the funds borrowed. Collateral shall be held in safekeeping in F5AC's name by its custodian bank and the market value of the collateral securities shall be marked-to-the-market daily. There is no limit on the amount to be invested in repurchase agreements.

5. Prime Commercial paper: Prime Commercial Paper with a maturity not exceeding 270 days from the date of trade settlement with the highest ranking or of the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions in either sub-paragraph A. or sub-paragraph B. below:

A. The entity shall (1) be organized and operating in the United States as a general corporation, (2) have total assets in excess of \$500,000,000 and (3) have debt other than commercial paper, if any, that is rated A or higher by a NRSRO.

B. The entity shall (1) be organized within the United States as a special purpose corporation, trust, or limited liability company, (2) have program-wide credit enhancements, including, but not limited to, over collateralization, letters of credit or surety bond and (3) have commercial paper that is rated A-1 or higher, or the equivalent, by a NRSRO.

No more than 25% of the City's total portfolio shall be invested in commercial paper.

6. State of California's Local Agency Investment Fund (LAIF): LAIF, in accordance with California Government Code Section 16429.1.
7. Corporate Medium-term Notes: Corporate medium-term notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States, with a final maturity not exceeding five years from the date of trade settlement, and rated at least A or the equivalent by a NRSRO. The aggregate investment in medium-term notes shall not exceed 30% of the City's total portfolio. AAA rated FDIC-guaranteed corporate bonds are herein authorized, with the aforementioned diversification and maturity requirements.
8. Mortgage Pass-through Securities and Asset-backed Securities: Mortgage pass-through securities and asset-backed securities shall have a maximum stated final maturity of five years and shall be rated at least AAA or the equivalent by a NRSRO. No more than 20 percent of the portfolio may be invested in such securities.

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9. Money Market Mutual Funds: Money market mutual funds which are registered under the Investment Act of 1940; are "no-load" (meaning no commission or fee shall be charged on purchases or sales or shares); have a constant net asset value of \$1.00; invest only in the securities and obligations authorized in California statutes; and are rated AAA or the equivalent by a NRSRO. The aggregate investment in money market funds shall not exceed 20% of the portfolio.
10. Local Agency Obligations: Local agency obligations whose short-term rating is at least A-1 or equivalent by two NRSROs or whose long-term rating is at least AA or the equivalent by two NRSROs.

B. Prohibited investment vehicles and practices

1. State law notwithstanding, any investments not specifically described herein are prohibited, including, but not limited to, mutual funds (other than government money market funds as described in Section VI A(9), unregulated and/or unrated investment pools or trusts, collateralized mortgage obligations and futures and options.
2. Investing in inverse floaters, range notes, or mortgage derived interest-only strips is prohibited, per Government Code Section 53601.6.
3. Investment in any security that could result in a zero interest accrual if held to maturity is prohibited.
4. Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited.
5. Purchasing or selling securities on margin is prohibited.
6. Using reverse repurchase agreements, securities lending or any other form of borrowing or leverage is prohibited.
7. Purchasing securities issued by company in the tobacco business, including parent companies and their controlled subsidiaries, is prohibited.
8. Purchasing foreign currency denominated securities.

Prohibited investments held in the portfolio at the time of adoption of this Policy may be held until maturity at the discretion of the Finance Director.

C. Mitigating credit risk in the portfolio

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. F5AC shall mitigate credit risk in the following ways:

1. Abiding by the diversification requirements included in Section VI (A);
2. Limiting 5% of the total portfolio to securities of any single issuer, other than the US Government, its agencies and instrumentalities;
3. Electing to sell a security prior to its maturity and record a capital gain or loss in order to improve the quality, liquidity or yield of the portfolio in response to market conditions or F5AC's risk preferences; and
4. Reviewing securities owned by F5AC which are downgraded to a level below the quality required by this Policy. In such cases it shall be F5AC's policy to review the credit situation and make a determination as to whether to sell or retain such securities in the portfolio.
 - a. If a security is downgraded two grades below the level required by F5AC, the security shall be sold immediately.
 - b. If a security is downgraded one grade below the level required by this Policy, the F5AC Finance Director shall use discretion in determining whether to sell or hold the security based on its current maturity, the loss in value, the economic outlook for the issuer, and other relevant factors.
 - c. If a decision is made to retain a downgraded security in the portfolio, its presence in the portfolio ~~shall be~~ monitored and reported monthly to the Executive Committee and the Commission of F5AC.

D. Mitigating market risk in the portfolio

Market risk is the risk that the portfolio will decline in value (or will not optimize its value) due to changes in the general level of interest rates. F5AC recognizes that, over time, longer-term portfolios achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. F5AC shall mitigate market risk by providing adequate liquidity for short-term cash needs, and by making some longer-term investments only with funds that are not needed for current cashflow purposes. F5AC further recognizes that certain types of securities, including variable rate securities, securities with principal paydowns prior to maturity, and securities with embedded options, will affect the market risk profile of the portfolio differently in different interest rate environments. Therefore, the following strategies shall be adopted to control and mitigate exposure to market risk:

- F5AC shall attempt to match its investments with anticipated cash flow requirements.

- Maximum final maturity of investments in the Treasury and Agency securities shall not exceed six years. All other investments shall have a final maturity as stated in Section VI, Eligible Investments.
- The weighted average maturity of the portfolio shall not exceed three years.
- Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding six years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of funds.

VII. Performance objectives and expectations

The investment portfolio shall be designed to attain a market rate of return throughout budgetary and economic cycles, taking into account prevailing market conditions, risk constraints for eligible securities, and cash flow requirements. The performance of F5AC's investments shall be compared to the average yield on the U.S. Treasury security that most closely corresponds to the portfolio's actual weighted average effective maturity. When comparing the performance of F5AC's portfolio, its rate of return shall be computed net of all fees and expenses.

VIII. REPORTING

Quarterly, the Financial Controller shall submit to the Executive Committee a report of the investment earnings and performance results of F5AC's investment portfolio. The report shall include the following information:

1. Investment type, issuer, date of maturity, par value and dollar amount invested in all securities, and investments and monies held by the F5AC;
2. A description of the funds, investments and programs;
3. A market value as of the date of the report (or the most recent valuation as to assets not valued monthly) and the source of the valuation;
4. A statement of compliance with this Policy or an explanation for non-compliance; and
5. A statement of F5AC's ability to meet expenditure requirements for six months, and an explanation of why money will not be available if that is the case.

IX. POLICY REVIEW

This Investment Policy shall be adopted annually by resolution of the Executive Committee. It shall be reviewed at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity, yield and diversification and its relevance to current law and economic trends. Amendments to this Investment Policy shall be approved by resolution of the Executive Committee.

GLOSSARY OF INVESTMENT TERMS[®]

Agencies. Shorthand market terminology for any obligation issued by a *government-sponsored entity (GSE)*, or a *federally related institution*. Obligations of GSEs are not guaranteed by the full faith and credit of the US government. There are eight GSEs, five of which are currently active in the new issue market. The five include:

FFCB. The Federal Farm Credit Bank System provides credit and liquidity in the agricultural industry. FFCB issues discount notes and bonds.

FHLB. The Federal Home Loan Bank provides credit and liquidity in the housing market. FHLB issues discount notes and bonds.

FHLMC. Like FHLB, the Federal Home Loan Mortgage Corporation provides credit and liquidity in the housing market. FHLMC, also called “FreddieMac” issues discount notes, bonds and mortgage pass-through securities.

FNMA. Like FHLB and FreddieMac, the Federal National Mortgage Association was established to provide credit and liquidity in the housing market. FNMA, also known as “FannieMae,” issues discount notes, bonds and mortgage pass-through securities.

Federally related institutions are arms of the federal government. Most do not issue securities directly into the market. Those, which do issue directly, include the following:

GNMA. The Government National Mortgage Association, known as “GinnieMae,” issues mortgage pass-through securities, which are guaranteed by the full faith and credit of the US Government.

PEFCO. The Private Export Funding corporation assists exporters. Obligations of PEFCO are not guaranteed by the full faith and credit of the US government.

TVA. The Tennessee Valley Authority provides flood control and power and promotes development in portions of the Tennessee, Ohio and Mississippi River valleys. TVA currently issues discount notes and bonds.

Asked. The price at which a seller offers to sell a security.

Average life. In mortgage-related investments, including CMOs, the average time to expected receipt of principal payments, weighted by the amount of principal expected.

Banker's acceptance. A money market instrument created to facilitate international trade transactions. It is highly liquid and safe because the risk of the trade transaction is transferred to the bank which “accepts” the obligation to pay the investor.

Benchmark. A comparison security or portfolio. A performance benchmark is a partial market index, which reflects the mix of securities allowed under a specific investment policy.

Bid. The price at which a buyer offers to buy a security.

Broker. A broker brings buyers and sellers together for a transaction for which the broker receives a commission. A broker does not sell securities from his own position.

Certificate of Deposit (CD). A time deposit with a specific maturity evidenced by a certificate. Large denomination CDs may be marketable.

Collateral. Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits of public monies.

Collateralized Mortgage Obligations (CMO). Classes of bonds that redistribute the cash flows of mortgage securities (and whole loans) to create securities that have different levels of prepayment risk, as compared to the underlying mortgage securities.

Commercial paper. The short-term unsecured debt of corporations.

Cost yield. The annual income from an investment divided by the purchase cost. Because it does not give effect to premiums and discounts which may have been included in the purchase cost, it is an incomplete measure of return.

Coupon. The rate of return at which interest is paid on a bond.

Credit risk. The risk that principal and/or interest on an investment will not be paid in a timely manner due to changes in the condition of the issuer.

Current yield. The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

Dealer. A dealer acts as a principal in security transactions, selling securities from and buying securities for his own position.

Debenture. A bond secured only by the general credit of the issuer.

Delivery vs. payment (DVP). A securities industry procedure whereby payment for a security must be made at the time the security is delivered to the purchaser's agent.

Derivative. Any security that has principal and/or interest payments which are subject to uncertainty (but not for reasons of default or credit risk) as to timing and/or amount, or any security which represents a component of another security which has been separated from other components ("Stripped" coupons and principal). A derivative is also defined as a financial instrument the value of which is totally or partially derived from the value of another instrument, interest rate or index.

Discount. The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as T-bills and banker's acceptances, are known as **discount securities**. They sell at a discount from par, and return the par value to the investor at

maturity without additional interest. Other securities, which have fixed coupons trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

Diversification. Dividing investment funds among a variety of investments to avoid excessive exposure to any one source of risk.

Duration. The weighted average time to maturity of a bond where the weights are the present values of the future cash flows. Duration measures the price sensitivity of a bond to changes in interest rates. (See modified duration).

Federal funds rate. The rate of interest charged by banks for short-term loans to other banks. The Federal Reserve Bank through open-market operations establishes it.

Federal Open Market Committee: A committee of the Federal Reserve Board that establishes monetary policy and executes it through temporary and permanent changes to the supply of bank reserves.

Haircut: The margin or difference between the actual market value of a security and the value assessed by the lending side of a transaction (i.e. a repo).

Leverage. Borrowing funds in order to invest in securities that have the potential to pay earnings at a rate higher than the cost of borrowing.

Liquidity: The speed and ease with which an asset can be converted to cash.

Margin: The difference between the market value of a security and the loan a broker makes using that security as collateral.

Market risk. The risk that the value of securities will fluctuate with changes in overall market conditions or interest rates.

Market value. The price at which a security can be traded.

Marking to market. The process of posting current market values for securities in a portfolio.

Maturity. The final date upon which the principal of a security becomes due and payable.

Medium term notes. Unsecured, investment-grade senior debt securities of major corporations which are sold in relatively small amounts either on a continuous or an intermittent basis. MTNs are highly flexible debt instruments that can be structured to respond to market opportunities or to investor preferences.

Modified duration. The percent change in price for a 100 basis point change in yields. Modified duration is the best single measure of a portfolio's or security's exposure to market risk.

Money market. The market in which short term debt instruments (Tbills, discount notes, commercial paper and banker's acceptances) are issued and traded.

Mortgage pass-through securities. A securitized participation in the interest and principal cashflows from a specified pool of mortgages. Principal and interest payments made on the mortgages are passed through to the holder of the security.

Mutual fund. An entity which pools the funds of investors and invests those funds in a set of securities which is specifically defined in the fund's prospectus. Mutual funds can be invested in various types of domestic and/or international stocks, bonds and money market instruments, as set forth in the individual fund's prospectus. For most large, institutional investors, the costs associated with investing in mutual funds are higher than the investor can obtain through an individually managed portfolio.

Premium. The difference between the par value of a bond and the cost of the bond, when the cost is above par.

Prepayment speed. A measure of how quickly principal is repaid to investors in mortgage securities.

Prepayment window. The time period over which principal repayments will be received on mortgage securities at a specified prepayment speed.

Primary dealer. A financial institution (1) that is a trading counterparty with the Federal Reserve in its execution of market operations to carry out U.S. monetary policy, and (2) that participates for statistical reporting purposes in compiling data on activity in the U.S. Government securities market.

Prudent person (man) rule. A standard of responsibility which applies to fiduciaries. In California, the rule is stated as "Investments shall be managed with the care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of like character and with like aims to accomplish similar purposes."

Realized yield. The change in value of the portfolio due to interest received and interest earned and realized gains and losses. It does not give effect to changes in market value on securities, which have not been sold from the portfolio.

Regional dealer. A financial intermediary that buys and sells securities for the benefit of its customers without maintaining substantial inventories of securities, and that is not a primary dealer.

Repurchase agreement (RP, Repo). Short term purchases of securities with a simultaneous agreement to sell the securities back at a higher price. From the seller's point of view, the same transaction is a **reverse repurchase agreement**.

Safekeeping. A service to bank customers whereby securities are held by the bank in the customer's name.

Structured note. A complex, fixed income instrument, which pays interest, based on a formula tied to other interest rates, commodities or indices. Examples include inverse floating rate notes which have coupons that increase when other interest rates are falling, and which fall when other interest rates are rising, and "dual index floaters," which pay interest based on the relationship between two other interest rates - for example, the yield on the ten-year Treasury note minus the Libor rate. Issuers of such notes lock in a reduced cost of borrowing by purchasing interest rate swap agreements.

Total rate of return. A measure of a portfolio' performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending value, and includes interest earnings and realized and unrealized gains and losses on the portfolio.

U.S. Treasury obligations. Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk, and are the benchmark for interest rates on all other securities in the US and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

Treasury bills. All securities issued with initial maturities of one year or less are issued as discounted instruments, and are called Treasury bills. The Treasury currently issues three- and six-month Tbills at regular weekly auctions. It also issues "cash management" bills as needed to smooth out cash flows.

Treasury notes. All securities issued with initial maturities of two to ten years are called Treasury notes, and pay interest semi-annually.

Treasury bonds. All securities issued with initial maturities greater than ten years are called Treasury bonds. Like Treasury notes, they pay interest semi-annually.

Volatility. The rate at which security prices change with changes in general economic conditions or the general level of interest rates.

Yield to Maturity. The annualized internal rate of return on an investment which equates the expected cash flows from the investment to its cost.

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To: First 5 Alameda County Commission
From: Janet Basta, Human Resources Administrator
Date: June 28, 2012
Subject: ACERA 401(h) Account Authorization

ACTION REQUESTED

To review and authorize the resolution to fund the ACERA 401(h) account with the purpose of providing tax free health benefits to retirees.

BACKGROUND

In order for the Alameda County Employees Retirement Association (ACERA) to provide tax-free health benefits to its retirees, it is required that participating agencies such as First 5 Alameda County establish and pay post-retirement benefits through a 401(h) account. In 2007-08, the Commission authorized the establishment of such an account.

The 401(h) account, also called the Advance Reserve Account, is funded by a portion of regular First 5 retirement contributions. First 5 contributions are then supplemented by the Supplemental Retiree Benefits Reserve (SRBR) in the amount of the 401(h) contribution. The effect is a no-cost transaction.

For 2012-13 (and every year), it is required that the participating member agencies of ACERA authorize the required contributions to the account. The required contribution is determined by ACERA's actuary, The Segal Company, and is calculated based on the number of retirees receiving benefits in 2012-13. Based on the actuarial analysis, First 5's contribution for 2012-13 is \$20,807.71. The contribution per pay period is \$800.30 beginning with pay period 12-14.

FISCAL IMPACT

There is no fiscal impact.

RECOMMENDATION

That the Commission review and approve the resolution to fund the ACERA 401(h) account with the purpose of providing tax free health benefits to retirees modifications.

Submitted by:

Reviewed by:

Janet Basta
Human Resources Administrator

Mark Friedman
Chief Executive Officer

RESOLUTION

FIRST 5 ALAMEDA COUNTY
RESOLUTION APPROVING 401(h) ACCOUNT
PURSUANT TO SECTION 31592

WHEREAS, in 1996, the Alameda County Employee’s Retirement Association (“ACERA”) Board of Retirement informed the Board of Supervisors that by adoption of Resolution No. 96-111, the Board of Retirement had established a health benefits account intended to satisfy the requirements of Internal Revenue Code (“IRC”) Section 401(h) and the regulations thereunder (the “401(h) Account”) in order to provide non-vested, tax-free health benefits to eligible County and Participating Employer retirees (collectively, the “Retirees”); and

WHEREAS, in 1996, this Board of Supervisors adopted Resolution No. R-96-634, which provided that ACERA could offer such non-taxable benefits if the County designated a portion of its contribution to ACERA for a fiscal year as a contribution to the 401(h) Account, and

WHEREAS, under Section 31592.4 and Article 5.5 of the County Employees Retirement Law of 1937 (“CERL”), assets in the Supplemental Retiree Benefit Reserves (the “SRBR”) at the end of a fiscal year of ACERA may, in the immediately succeeding fiscal year, be transferred to the Advance Reserves of the Participating Employers, and treated as a contribution to ACERA by the County and as applicable by other Participating Employers to the extent that in the immediately succeeding fiscal year the County and other Participating Employers make contributions to ACERA’s 401(h) Account in order to pay for retiree health benefits; and

WHEREAS, Section 31592.4 and Article 5.5 of the CERL thus permit the Participating Employers to contribute to a 401(h) Account and pay for retiree health benefits for a fiscal year without increasing First 5 Alameda County’s total contributions to ACERA for that fiscal year; and

WHEREAS, commencing with the 1996-1997 fiscal year, and for each fiscal year thereafter, the County has directed that a specified portion of its fiscal year contribution to ACERA for that year be contributed to the 401(h) Account; and

WHEREAS, in 2007 First 5 Alameda County authorized ACERA to establish and manage a 401(h) sub-account on its behalf to provide tax free health care for its retirees.

NOW THEREFORE, IT IS RESOLVED AS FOLLOWS:

1. In fiscal year July 1, 2012 – June 30, 2013, First 5 Alameda County shall contribute to ACERA \$20,807.71 to be used only for the paying of retiree medical health benefits. This contribution shall be made on the terms and conditions set forth in the Agreement between First 5 Alameda County and ACERA concerning such contributions, executed on June 28, 2007.
2. This contribution shall be designated, in writing, as being only for First 5 Alameda County's IRC § 401(h) Account, and such designation shall be made at the time of contribution.
3. Such contribution is contingent on the Board of Retirement immediately transferring, in accordance with Government Code §31592.4, an amount equal to such contribution from ACERA's SRBR account to First 5 Alameda County's advance reserve account. Such amount shall be treated as a contribution for pension and therefore shall be applied to reduce the pension contribution otherwise required by First 5 Alameda County for the fiscal year beginning July 1, 2012.
4. No party, including any existing or future First 5 Alameda County employee, retiree, spouse or dependent, shall have any vested rights, contractual rights or other rights in or to any retiree medical benefits or payment or subsidy for any such benefits nor shall any such person or ACERA have any such rights to have First 5 Alameda County contribute towards paying or subsidizing the cost of any retiree medical benefits provided by ACERA under the 401(h) Account or otherwise. First 5 Alameda County may modify or terminate, at any time and without any limitation, its decision to contribute to First 5's 401(h) Account. This modification or termination may occur even if it may affect any employee first hired prior to the date of such modification, any person who retired prior to such date, and/or any person who became a spouse or dependent of an employee or retiree prior to such date.
5. All contributions by First 5 Alameda County to its 401(h) sub-account shall be governed by requirements of the Internal Revenue Code and all administrative and other applicable rules established by ACERA governing such sub-account and ACERA's 401(h) Account.



To: First 5 Alameda County Commission
From: Janis Burger, Deputy Director
Date: June 28, 2012
Subject: Contract Authorizations

REQUESTED ACTION

To review and approve the following contract authorizations

BACKGROUND

Per our Financial Policies, Section VII. Purchasing and Contracting, the Commission must approve contract/award amounts in excess of \$50,000. The following awards require specific authorization from the Commission.

San Leandro Unified School District - \$35,000

First 5 Alameda County currently funds San Leandro Unified School District (SLUSD) to provide pre-kindergarten programs to 1 site (2009-13 Strategic Plan, page 11). We are requesting approval of a contract amendment for SLUSD to expand the summer pre-kindergarten program to 3 additional sites bringing the total to 4 sites for the year. Funds will be used for materials, teacher prep time and outreach for the 2012 summer pre-kindergarten program. The recommendation of a contract amendment would increase the total FY 2011-13 contract amount from \$22,000 to \$57,000 for which Commission approval is needed.

Fiscal Impact: None. All funds are budgeted and will be received from the Long Foundation grant.

Action Requested: Approve an increased contract amount of \$57,000 for San Leandro Unified School District for FY 2011-13.

Family Resource Network – \$20,000

First 5 Alameda County is requesting approval of contract amendment with Family Resource Network (fiscal agent Bananas) to manage and administer funds to support the participation and involvement of parents and family members in the collaborative governance and planning of Children's SART/Help Me Grow (2009-13 Strategic Plan, page 15). These activities include the coordination and administration of incentives, child care and other supports necessary for family member involvement. Family Resource Network currently has a FY 2011-13 contract for SART Family Navigation/Community Support activities and Family Leadership staffing support and consultation services in the amount of \$208,520 in the first year, and \$188,520 in the second year. The addition of this \$20,000 results in an aggregate contract amount of \$208,520 per year for which Commission approval is needed.

Fiscal Impact: None. All funds are budgeted.

Action Requested: Approve an increased contract amount of \$417,040 for Family Resource Network (fiscal agent Bananas) for FY 2011-13.

Bright Research Group, Inc. – \$40,000

First 5 Alameda County currently funds Bright Research Group, Inc. to provide facilitation services and technical assistance to the Alameda County Early Connections 0-5 system of care through the Substance Abuse Mental Health Services Administration federal grant (2009-13 Strategic Plan, page 10). We are requesting approval of a \$30,000 contract amendment for Bright Research Group, Inc. to continue to provide services including planning for, facilitating and debriefing the Full Partnership meeting with Alameda County Behavioral Health Care Services and First 5 Alameda County. Additionally, we are requesting approval of a \$10,000 contract amendment for Bright Research Group, Inc. to provide evaluation services for the Early Connections Co-Learning Collaborative which will engage a cohort of family members and early childhood service providers to partner through joint planning, designing, facilitating and participating in trainings, community research and development of learning tools to strengthen capacity.

Bright Research Group, Inc. currently has a FY 2011-12 \$49,800 contract to provide Early Connections Full Partnership facilitation. The addition of \$40,000 brings the aggregate FY 2011-13 contract amount to \$89,800 for which Commission approval is needed.

Fiscal Impact: None. All funds are budgeted and received from the Early Connections Substance Abuse Mental Health Services Administration (SAMHSA) grant.

Action Requested: Approve an increased FY 2011-13 contract amount of \$89,800 for Bright Research Group, Inc.

Recommendation: To approve the above contract authorizations

Submitted by:

Reviewed by:

Janis Burger,
Deputy Director

Mark Friedman,
Chief Executive Officer

Strategy	Contractor	2012-13 Amount	Term
Continuum of Care and Linkages	Alameda County Public Health Department (SART Linkage Line)	\$249,904.00	2012-2013
Continuum of Care and Linkages	Ann Martin Children's Center	\$80,000.00	2012-2014
Continuum of Care and Linkages	Asian Community Mental Health Services (Community Consultation)	\$8,000.00	2012-2013
Continuum of Care and Linkages	Asian Health Services	\$5,000.00	2012-2013
Continuum of Care and Linkages	Brookes Publishing (Online ASQ)	\$10,000.00	2012-2013
Continuum of Care and Linkages	Children's Hospital & Research Center at Oakland (Community Consultation)	\$8,000.00	2012-2013
Continuum of Care and Linkages	Family Resource Network	\$70,000.00	2012-2013
Continuum of Care and Linkages	International Contact	\$90,000.00	2012-2013
Continuum of Care and Linkages	Interpreters Unlimited	\$25,000.00	2012-2013
Continuum of Care and Linkages	Lan Do & Associates	\$14,000.00	2012-2013
Continuum of Care and Linkages	Lifelong Medical Care (Howard Daniel Clinic)	\$25,000.00	2012-2014
Continuum of Care and Linkages	Marti Roach	\$24,000.00	2012-2013
Continuum of Care and Linkages	Nadirah Stills	\$3,125.00	2012-2013
Continuum of Care and Linkages	Oakland Parents Together	\$110,000.00	2012-2014
Infrastructure	Applied Survey Research	\$80,000.00	2012-2013
Infrastructure	Crux Designs (Annual report)	\$5,000.00	2012-2013
Infrastructure	Crux Designs (Website support)	\$5,000.00	2012-2013
Infrastructure	Patel & Associates	\$32,900.00	2012-2013
Infrastructure	Remcho, Johansen, & Parcell, LLP	\$24,000.00	2012-2013
Infrastructure	Robbins Consulting	\$10,000.00	2012-2013
Infrastructure	RS Associates CPA	\$5,000.00	2012-2013
Infrastructure	Social Interest Solutions, Inc. (Development)	\$150,000.00	2012-2013
Infrastructure	Social Interest Solutions, Inc. (Maintenance and Hosting)	\$495,000.00	2012-2013
Infrastructure	Wiley, Price & Radulovich, LLP	\$7,000.00	2012-2013
Infrastructure	Xantrion, Inc.	\$60,000.00	2012-2013
Provider Capacity Building	Alameda County Behavioral Health Care Services (Harris Training)	\$14,100.00	2012-2013
Provider Capacity Building	Alameda County General Services Agency (Cares Plus)	\$38,138.00	2012-2013
Provider Capacity Building	Alameda County General Services Agency (Race to the Top)	\$20,000.00	2012-2013
Provider Capacity Building	American Education Reseach Corporation	\$8,000.00	2012-2013
Provider Capacity Building	Children's Hospital & Research Center at Oakland (Harris Training)	\$51,600.00	2012-2013
Provider Capacity Building	Jewish Family & Children's Services	\$270,000.00	2012-2015
Provider Capacity Building	Kadija Johnston	\$9,300.00	2012-2013
Provider Capacity Building	Melinda Martin	\$27,000.00	2012-2013
Provider Capacity Building	Ohlone College	\$30,000.00	2012-2013



To: First 5 Alameda County Commission
From: Mark Friedman, Chief Executive Officer
Date: June 28, 2012
Subject: FY 2012-13 Strategic Plan Review

REQUESTED ACTION

That the Commission conduct the second and final review of the FY 2012-2013 strategic plan as required by Proposition 10 – The California Children and Families Act.

BACKGROUND

Proposition 10 the voter approved initiative that established First 5 Commissions in November of 1998 requires that each county commission review the strategic plan and hold two public meetings on an annual basis and either modify it or approve it as it is.

Last June, the Commission approved a two-year FY 2011-13 budget for the last two fiscal years of the current strategic plan. There are no significant changes for the final year of the FY 2009-13 Strategic Plan. The goals, outcomes and programs remain the same. The new three strategy agency structure will be incorporated in to the new FY 2013-17 strategic plan.

FISCAL IMPACT

There is no fiscal impact. Spending will occur in alignment with the Commission approved FY 2012-13 budget.

RECOMMENDATION

That the Commission review and approve the FY 2012-13 strategic plan.

Submitted by:

Reviewed by:

Mark Friedman
Chief Executive Officer

Janis Burger
Deputy Director