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## Executive Committee Minutes

**Friday, March 20, 2009**

12:00 PM – 1:30 PM

**1100 San Leandro Blvd.**

Conference Room B

**COMMISSIONERS PRESENT:** Chair: Pamela Simms-Mackey, M.D., Vice Chair: Helen Mendel, CMD (via phone), Alex Briscoe

**STAFF PRESENT:** Deborrah Bremond, Janis Burger, Mark Friedman, Rebecca Gebhart, Nancy Lee, ZeeLaura Page, Patricia Zapanta

Chair Pamela Simms-Mackey, called the meeting to order at 12:02pm

### AGENDA ITEM

#### 1. Public Comment

There was no public comment.

#### 2. Approval of Minutes from February 18, 2009 meeting

Executive Committee Action: The Executive Committee approved the minutes from January 16, 2009 and February 18, 2009 upon motion by Commissioner Briscoe seconded by Chair Simms Mackey and unanimously carried (2 in favor, 0 opposed).

#### 3. 2009-13 Strategic Plan Update

##### a. 2009-13 Strategic Plan Recommendation

Deputy Director Janis Burger presented the final 2009-13 Strategic Plan. She stated that most of the Commissioners have already had the opportunity to review and provide input into the Strategic plan during the task force meeting. She stated that some minor revisions were made and that the final plan will be presented at the full Commission meeting next week.

##### b. Contingency Plan Recommendation if Ballot Measure passes

Deputy Director Janis Burger presented the contingency plan recommendation in the event that the ballot measure 1D passes. Ms. Burger stated that it is recommended that Adoption of one-year Strategic Plan be recommended to the full Commission for adoption, to be implemented only in the event that Measure 1D passes on May 19, 2009. She stated that the Strategic Plan would include one year of program activities that have already been determined by the 2009-13 Strategic Planning process. The rationale for keeping this stable program level is

- a. to give the Commission adequate time to develop priorities for the reduced funding level,
- b. to give community agencies and programs adequate time to plan transition strategies to minimize disruptions to high risk families,
- c. to provide adequate time to identify alternative sources of funding for programs, such as federal stimulus, IV-E savings, Substance Abuse and Mental Health Administration funding, and revenue maximization through fiscal leveraging,
- d. to provide adequate time to develop and implement a organizational contraction based on Commission priorities.

Ms. Burger stated that some minor adjustments to the plan would be made for programs that were proposed in the 2009-13 Strategic Plan process that required a multi-year ramp up. A report on the minor adjustments would be presented to the Commission on June 25, 2009.

Ms. Burger stated that if 1 D did pass, planning for reductions will occur in June, July, August and September to determine revised program priorities based on a significantly reduced funding level. This planning will result in a revision to the Strategic Plan, effective 2010-2013. The three-year Strategic Plan proposal will be brought to the Commission for the first reading in October 2010 with final adoption in December 2010.

#### **4. 2009- 10 Budget proposal– first reading-action**

Rebecca Gebhart, Director of Finance and Administration presented the 2009-10 Budget proposal.

Ms. Gebhart stated that this presentation is the first reading of the 2009-10 budget proposal. Staff will prepare the second and final reading for the May Executive and Commission meetings, and will incorporate in the interim any changes directed by the Commission as well as new information, if any, related to the Tobacco tax and other revenue streams. In addition, the presentation in May will include the list of contracts that exceed \$25,000 which require Commission authorization.

Ms. Gebhart stated that the budget provides a summary of revenue projections with rationales. In addition, the document will provide each program's total expenses. The total program costs include First 5 staff salaries and benefits, grants, contracts, stipends, training expenses, and space rental.

She stated that allocable costs (administrative overhead) accumulate in the Administration cost center in the first reading of the budget, and will be allocated to programs in the second reading of the budget in May to obtain the "fully loaded cost" of each program. The expense spreadsheet provides the expense projections by division.

She stated that the expenses are presented by the program divisions within the agency. The table in the budget narrative shows:

- the program name,

- the 2008-09 budget (adopted by the Commission on February 26, 2009),
- the 2009-10 budget projection,
- funding sources for the program and
- the Strategy area in which the program resides in the 2009-13 Strategic Plan.

Ms. Gebhart stated that the Revenue and Available Funding projection for 2009-10 is \$24,769,010 and the Expenses projection is \$24,769,010. She stated that pursuant to statute, First 5 costs must be segregated into Program, Evaluation and Administrative costs. The total level of Program, Evaluation and Administration spending is consistent with the 2009-13 Strategic Plan Funding Allocation proposal, Program \$21,334,009, Evaluation \$1,376,294, and Administration \$2,058,700 totaling \$24,769,010.

She stated that the budget has been balanced, per Commission authorization, with funds from the Sustainability Fund in the amount of \$4,838,187. She stated that this amount is in the range of the Long Range Financial Plan presented in January 2009, which proposed up to \$5,855,100 to be used from Sustainability Funds to balance the budget.

## **5. 2008 - 09 Investment Report– Information**

Rebecca Gebhart, Director of Finance and Administration presented the 2008-09 Investment Report.

Ms. Gebhart stated that there were numerous changes in the portfolio in January and February. She reported that in January, Chandler Asset Management (CAM) made a number of sales and purchases that reflect the change in the Investment Policy made in late June 2008. In that policy revision, the restriction of the percentage of federal government agency instruments was eliminated. CAM determined that it was advantageous to sell Treasuries for realized gains, and to purchase agencies. The yields of the agencies purchased are similar to the yields of the treasury notes sold.

Ms. Gebhart stated that in addition, the CAM average duration was short, and several sales were made of instruments with maturity dates of 2010 and 2011. CAM then purchased similar instruments with longer durations, such as 2012 and 2013. For example, a JP Morgan Chase instrument with a maturity date of 6/1/11 was sold and another JP Morgan Chase instrument purchased with a maturity date of 5/01/13. Finally, several holdings were sold by CAM due to concerns about decreasing or poor credit quality. These holdings included Abbott Labs and Morgan Stanley Dean Witter.

Ms. Gebhart stated that in February, CAM sold American General Finance, an instrument that has been on watch since fall of 2008 and is owned by AIG. The cost was \$174,951 and the selling price was \$85,500, incurring a long term capital loss of \$89,451. The loss for the period of January and February was offset by all of the gains made by strategic sales.

Ms. Gebhart stated that MBIA Municipal Investors has informed us that they are putting two instruments on watch. One is a \$175,000 Household Finance instrument that matures in October 2011. It is owned by HSBC, Europe's largest bank and one considered "too large to fail". The rating is on a downward trend but the MBIA recommendation is to hold it until maturity. If sold now, it would realize a loss of \$30,000 - \$40,000. The second instrument on watch is a \$1 million General Electric instrument that matures October 2012. It is anticipated to be downgraded although as of last week it was still AAA. The recommendation is to try to hold until maturity. A sale now would incur a significant loss.

She stated that the total Investment income after the reversal of the accrual was \$917,273.

## **6. 2008 - 09 Financial Report– Information**

Rebecca Gebhart, Director of Finance and Administration presented the 2008-09 Financial Report.

Ms. Gebhart stated that as of February 28, revenue was \$10,883,551, or 50.8% of the revenue projection. She stated that being below the budget projection at this time of year is not unusual; at the end of the third quarter last year (March 31, 2008), the revenue was 46% received rather than 75%.

Ms. Gebhart stated that total expenses are \$13,088,554, which is 46.68% of the budget amount of \$28,037,554. She stated that this amount is consistent with spending patterns from prior years; at the end of the third quarter last year (March 31, 2008), the budget was 59% spent rather than 75% spent.

Ms. Gebhart stated that the Revenue and Expenses are appropriate for this time of year and there is no additional fiscal impact. She stated that it is important to note that General Expenses that are allocated to all programs are posted throughout the year to the Administration budget (which then appears to be going "over budget".) However, costs are allocated across programs at year-end.

## **7. 2008- 09 Contract Authorizations– Action**

Ms. Gebhart presented the Contract Authorizations to the Executive Committee.

- Commission approval is requested for a \$20,000 contract with the Alameda County Public Health Department (ACPHD) to provide the local match needed to support the SART referral phone line position and enable hiring by the April 15, 2009 target date. ACPHD currently receives \$867,500 in other awards from First 5. The addition of \$20,000 brings the aggregate contract amount to \$887,500 for which Commission approval is needed.

- Approval is requested for a sole source contract with Alameda County Health Care Services Agency (AC HCSA) to manage the disbursement of \$100,000 to agencies as matching funds are committed and become available. First 5 currently has a \$1,433,609 contract with AC HCSA for the Special Start program. The addition of a \$100,000 contract would bring the aggregate contract amount to \$1,533,609 for which Commission approval is needed.

#### **8. Personnel policies revision– action**

Ms. Gebhart presented the personnel policy revision. She stated that among other provisions, the reduction in workforce policy provides severance pay to employees who are terminated due to a reduction in workforce. The severance pay provided is two weeks per year worked. She stated that currently there is no cap or maximum number of weeks specified in the policy. She stated that the proposed revision to the policy is to add that the maximum number of weeks that an employee will be paid for severance is 18. The cap limits the fiscal impact of the policy.

#### **9. Adjournment**

Chair Simms-Mackey adjourned the meeting at 1:00pm.