COMMISSIONERS PRESENT:

Commissioners:
Nancy Au
Yvonne Burke (Chair)
Jonathan Fielding (Vice Chair)
Neal Kaufman
Corina Villaraigosa
Carolyn Wilder

Ex-Officio Commissioners:
Jacquelyn McCroskey
Connie Russell
Deanne Tilton
Harriette Williams

COMMISSIONERS ABSENT:

Commissioners:
Jane Boeckmann (Excused)
Marv Southard (Excused)
Evangelina Stockwell (Excused)

STAFF PRESENT:
Evelyn V. Martinez, Executive Director
Carol Baker, Director of Public Affairs
Anthony Bellanca, Finance Director
Yolanda Bosch, Director of Grants Management & Legal Compliance
Armando Jimenez, Director of Research & Evaluation
Teresa Nuno, Director of Planning & Development
Maria Romero, Executive Assistant

LEGAL COUNSEL:
Craig Steele, Attorney-at-Law

CALL TO ORDER / ROLL CALL:

1. Chair Burke called the meeting to order at 1:35 pm.

CONSENT CALENDAR: (Items 2 – 3)

   M/S (Jonathan Fielding / Neal Kaufman)       APPROVED AS RECOMMENDED

3. Approval of Monthly Financials – February, 2008

   Vice Chair Fielding commented that in the Operations Committee held on Wednesday, April 2, 2008, he had requested that a Request for Proposal (RFP) be drafted to hire an outside consultant to assess the current investments of First 5 LA and make recommendations on how to maximize the return on investments.
   
   M/S (Neal Kaufman / Nancy Au)         APPROVED AS RECOMMENDED
COMMISSION: (Items 4 – 10)

4. Announcements by the Commission Chair

RECEIVED

In addition to the announcement made by the Chair, the following announcement was made:

- **Child Abuse Prevention Month**: Commissioner Tilton announced that based on a motion introduced by Supervisor Yvonne Burke at the Board of Supervisors Meeting of April 1, 2008, in collaboration with the Inter-Agency Council on Child Abuse & Neglect (ICAN), April was proclaimed as “Child Abuse Prevention Month” throughout Los Angeles County.

5. Executive Director’s Report

RECEIVED AND FILED

In addition to the written report, the following announcements were made:

- **Mailbu Times Article**: Carol Baker, Public Affairs Director, announced that the Malibu Times printed a correction to the story that had been printed regarding First 5 LA’s perceived role in funding fluoridation community projects in Topanga Canyon and Malibu. The correction accurately reported that First 5 LA was only going to fund fluoridation efforts in high-risk communities and who also want their water fluoridated.

- **People Magazine Editorial**: Executive Director Martinez reported that the editorial submitted to People Magazine regarding support for breastfeeding by new mothers, in response to comments made by Jennifer Lopez, was printed.


Executive Director Martinez reported that the California Health and Safety Code stipulates under Sections 130150 (2) and 130150 (c) that the State Commission shall:

1. Prepare a written report that consolidates, summarizes, analyzes, and comments on the annual audits and reports submitted by the all of the County Commissions for the preceding fiscal year. This report by the State Commission shall be transmitted to the Governor, the Legislature, and each county commission.

2. Make copies of each of its annual audits and reports available to members of the general public on request and at no cost. The State Commission shall furnish each County Commission with copies of those documents in a number sufficient for local distribution by the County Commission to members of the general public on request and at no cost.

First 5 LA has received two copies of the 2006-2007 First 5 California Annual Report submitted to the Legislature and Governor. The report is available on the First 5 California website ([www.cfc.ca.gov](http://www.cfc.ca.gov)) under “Annual Report for 2006/07 Now Available” link and on the First 5 LA website ([www.first5la.org](http://www.first5la.org)).

RECEIVED AND FILED
7. Discussion on LAUP Counter Proposal to First 5 LA Commission Action of November 28, 2007

Director Bosch reported that at the March 13th Commission Meeting, the Commission Chair requested that the Commissioners be sent a copy of LAUP’s counter proposal that had just been received. At that same meeting, staff was directed to do an analysis of the counter proposal. A determination was made that an independent consultant’s analysis would be more appropriate and may be viewed as more objective by all concerned parties. The consulting firm of Altmayer Consulting, Inc., was hired to perform an independent and objective review of LAUP’s counter proposal.

Christina Altmayer is the President of Altmayer Consulting, Inc., and specialized in strategic management consulting to government and other public agencies. She has worked extensively with state and local government agencies and has over 15 years of government consulting experience. She is a former senior manager with the government consulting practice of Ernst & Young, LLP prior to forming her own firm in 1996. A partial list of her recent clients include: the County of Los Angeles, the County of Orange, the Children & Families Commission of Orange County, the California Children & Families Association, and First 5 California. Ms. Altmayer has also worked with each of these clients in strategic planning, financial planning and management and performance measures. She is a frequent lecturer on performance management for government and non-profit agencies and has presented at several state and national conferences. She is an instructor in performance management in the Management Program at Cal State Northridge. Prior to consulting, Ms. Altmayer worked in the Assembly of the New York State Legislature on state and local funding issues and has held several positions in local government.

Ms. Altmayer commented that the Scope of Analysis consisted of Altmayer Consulting being engaged to conduct a high-level analysis of the First 5 LA Board Action of November, 2007 and to compare the major provisions with the subsequent proposal submitted by LAUP in March, 2008. The source documents which were reviewed as part of the analysis were: (1) First 5 LA contract with LAUP executed September 2004; (2) LAUP Annual Report FY 2006-07; (3) LAUP Sustainability Proposal dated September 2007; (4) November 28, 2007 First 5 LA Approved Board Motion; (5) March 10, 2008 Proposal from LAUP to Supervisor Yvonne Burke; (6) financial reports and budgets related to LAUP; and, (7) related staff and financial analyses memos.

As a result of the analysis, key dates were identified with corresponding milestones for both First 5 LA and LAUP. Ms. Altmayer stated that she did not do a qualitative assessment of the LAUP Sustainability Proposal nor did she make any recommendations about the levels of funding that First 5 LA should provide to LAUP.

The reported trends in preschool spaces were highlighted during the presentation. Based on LAUP’s most recent Facilities Development Monthly Status Report (2/28/08), projects completed through January 2008 resulted in a total number of new spaces 1,784 with associated costs of $5.86 million. LAUP also recently reported that expenditures incurred through February 2008 totaled $6.9 million. The total budget for all contracted facilities construction is $21.8 million to build 3,706 spaces ($5,900 per space). No further space development beyond existing contractual agreements is planned at this time.

Ms. Altmayer also summarized First 5 LA’ investment in LAUP. The data provided did not readily allow for accurate calculations of cost-per-space nor cost-per-child for operations and/or capital. In order to determine the cost-per-space data, a monthly breakdown of spaces by status.
(in operation, construction, pending approval, etc.) was needed as well as actual expenses by program (not by object/line item). Information on direct payments to providers was also available on monthly invoices and in annual financial audit, but further analysis is required to accurately determine direct costs, overhead, and related support costs such as fundraising.

In order for First 5 LA to determine to the cost-per-child data, the percentage of spaces filled vs. available spaces (average unfilled capacity) is needed. Assumptions regarding time lag between space available and space filled also need to be made.

As part of the information being presented, Ms. Altmayer identified the following five major differences between LAUP and First 5 LA.

1. **Term**
   - First 5 LA term planned through 2018.
   - LAUP term planned through 2016.

2. **Annual Budget**
   - First 5 LA projects an annual budget for LAUP beginning in FY2008/09 of $40 million.
   - LAUP projects an annual budget beginning in 2008/09 of $61.4 million.

3. **Annual/Total Contribution from FY2008/09 forward**
   - First 5 LA - $40 million declining by 17% annually, total of ~$200 mil through 2018.
   - LAUP - $61.4 declining by variable percentages annually, total of $358 million.

4. **Matching Fund Requirements**
   - First 5 LA - LAUP generates $200 million through 2018.
   - LAUP - Generates $117 million in matching funds through 2016.

5. **Size and Purpose of Endowment Fund**
   - First 5 LA - Dedicated Early Learning Endowment Fund with no changes to principal; interest earnings available to support LAUP through 2018.
   - LAUP – Endowment fund of approximately $72 million declining to $60 million by FY2016; interest on endowment supplemented by principal provided as annual support to LAUP.

The comparative analysis highlighted key differences between the November 28, 2007 Board Action and the LAUP Proposal, specifically (1) the proposed Term of Agreement; (2) LAUP Annual Operating Budget from Fiscal Year 2008-09 through term of agreement; and, (3) First 5 LA Funding of Operating Costs vs. Matching Fund Targets. In addition, available reported data did not readily support calculations of budgeted vs. actual capital or operating cost per child or per space.

The analysis also identified key contract variables requiring resolution such as (1) term of funding; (2) targeted number of spaces and children enrolled annually; (3) budget and related annual cost for space and child enrolled; and, (4) First 5 LA’s contribution per space for capital, operating, and startup for base and future years.

Ms. Altmayer made the following recommendations to the Board of Commissioners based on the analysis:
1. A per child cost and associated First 5 LA subsidy should be developed as the basis for future agreements.

2. First 5 LA should consider moving to a performance-based contracting agreement to incentivize and prioritize continued enrollment of four-year olds in quality preschools. Performance-based contract should rely on a cost per enrolled child method for payment and include performance incentives and rewards.

In addition, Ms. Altmayer recommended developing performance-based contracts with the following key elements:

1. Contracts that are monitored and/or managed on the basis of the results achieved, rather than on activities conducted.
2. Provide a basis for incentivizing and rewarding performance based on agreed-to performance objectives (number of children enrolled, improvements in quality rating).
3. Focus evaluation and monitoring on agreed-to targeted results

Furthermore, Ms. Altmayer also asked the Commissioners to consider the opportunity to reflect the November 2007 Board directive framework in performance-based contracting to reflect defined incentives and performance targets and include cost inflation factors for annual update with periodic review and update of cost methodology.

Commissioner Kaufman asked for clarification on the estimated amount of LAUP expenses. Finance Director Bellanca commented that the projections presented as part of the November 28, 2007 motion were overestimated by $20 million.

Chair Burke commented that she thought Ms. Altmayer had done an excellent job. Chair Burke commented that she believed that her goal was to determine exactly how many children would be served. In this whole contract, this has been seen. Chair Burke’s immediate concern was that there was a target and there was capital allocated for that target; therefore, there should be some mechanism assuring that the children would be served whose spaces are built for.

Commissioner McCroskey commented that she was supportive of performance-based contracting for LAUP and was in agreement with Ms. Altmayer with her suggested elements of performance-based contracting and incentive opportunities as noted below:

1) Elements of Performance-Based Contracting

   a) Clearly defined desired results
   b) Measurement and reporting processes
   c) Incentives for achieving targeted results
   d) Ongoing system and contractor performance evaluation
   e) Performance-Based Contracting Goals
   f) Encourage contractors to be innovative by shifting focus from process to results
   g) Identify successful practices
   h) Create an effective framework for contractual compliance
   i) Allow for benchmarking between contractors and with peer agencies
   j) Provide decision-makers with key performance data
   k) Effectively assess program costs
2) Performance Based Elements for Consideration Regarding LAUP Agreement

a) Determining Target Cost Per Enrolled Child
   (1) Actual experience in LA County and LAUP
   (2) National experience and reported costs (adjusted for LA County)
   (3) Cost differential associated with lower or higher quality centers
   (4) Start-up and outreach costs

b) Incentive Opportunities
   (1) Quality Improvements – e.g. provisions for full-inclusion schools; increases in quality ratings
   (2) Successful enrollment in targeted geographic areas
   (3) Achieving or exceeding matching fund targets

Commissioner Fielding commended Ms. Altmayer on her very thoughtful presentation. He also commented that many County departments were moving toward performance-based contracting with incentives and penalties to ensure that the emphasis is in the right place. For First 5 LA, the emphasis is on the children and the quality of the preschool experience.

Commissioner Fielding expressed concern over LAUP’s current rate of spending and the unknown number of slots. He requested to know the number of slots that were filled, how many of the slots were contracted, and the cost-per-slot. Commissioner Fielding also expressed his weariness about LAUP signing additional contracts with providers for additional capacity.

Furthermore, Commissioner Fielding expressed concern over the lack of fundraising by LAUP. While he admires the fundraising efforts of LAUP, he stated he was ecumenical about this. He asked what was going to happen if LAUP did not raise and meet its fundraising goals. As a result, would the parents hold First 5 LA responsible for their children not being able to attend preschool?

Commissioner Fielding commented that based on the assumption of an annual five percent decline in revenues, by the year 2016, First 5 LA’s revenues were projected to be at $80 million, which would only be sufficient to sustain LAUP and no other programs. He expressed his support in favor of performance-based contracting.

Commissioner Fielding also suggested that levels of autonomy over contract issues such as deliverables, modification of scope of work and budget line items, and the engagement of demonstration projects needed to be determined. He felt that certain things should be approved through First 5 LA and not necessarily only through LAUP.

Chair Burke commented that there existed an unfortunate situation. A contract was created for a specified amount. Alongside, there was a group of people who said they could raise a large amount of money. These individuals, who made such representations, never came into the process. Chair Burke further commented that a really strange difficult situation existed that requires a lot of thought and creativity because we have less money by the grantor than originally projected, and the grantee is being caught up in representations that were made by people who never joined the LAUP Board.

Chair Burke also commented that she was unsure of the intended allocation for LAUP prior to representations being made by individuals, who were appointed by the Commission, and who
made statements about raising a lot of money before bombing out. Chair Burke further commented that these were the kinds of things that really need to be addressed.

Commissioner Kaufman commented that there needs to be two types of conversations: (1) spaces and number of children served; and, (2) what is the total allocation through 2016 or 2018 from First 5 LA funding. Commissioner Kaufman addressed the total allocation conversation. The original allocation was $580 million and the November 28, 2007 Board motion recognized and committed an additional $78 million for a total of $658 million. The $78 million comes from interest earned. If the motion of November 28, 2007, is carried out exactly as dictated, First 5 LA would have allocated $658 million between now and 2018 to LAUP. In the counter proposal, LAUP has taken the $580 million allocation and added $155 million in interest earned for a total of $735 million which is $77 million more than the November 28, 2007 motion.

Commissioner Kaufman commented that the proposed plan for funding as outlined in the November 28, 2007 Board motion allowed for continued funding of LAUP without placing the Board of Supervisors in the precarious position of having to backfill the funding of LAUP in 2016 as First 5 LA revenues are projected to significantly decrease and LAUP is unable to fundraise the necessary money to continue in operation. Based on this, a more modest fundraising goal was incorporated into the motion.

Chair Burke commented that a conversation needed to take place to determine if LAUP’s future would be based on a financial issue or a children’s service provision issue. A determination on the number of spaces and children to be served also needs to be made.

Executive Director Martinez asked for clarification from the Commission on its expectation of staff regarding LAUP. It seemed that most Commissioners were supportive of performance-based contracting. Executive Director Martinez commented that staff could further explore this concept and report back or make a recommendation to the Commission at the May 8th Commission meeting.

Executive Director Martinez expressed concern about LAUP having to do two budgets – one on the current process and one on performance-based budgeting – since both organizations are currently engaged in the FY2008-09 budget process.

The Commission provided the following direction to staff:

1) LAUP is to prepare and submit a budget for $40 million, based on the current allocation, for FY08-09, due by May 1, 2008.
2) LAUP is to identify what will be eliminated from the budget and the resulting implications.
3) Altmayer Consulting is to obtain a variety of information from LAUP including the number of preschool slots, the number of kids in the spaces, and the identification of facilities where kids are enrolled. This information will be used to develop the blueprint for a performance-based contracting plan.
4) Altmayer Consulting, First 5 LA and LAUP should meet as soon as possible to in order to begin to conceptualize a budget plan for LAUP based on performance-based contracting. This may mean a reduction in operations for LAUP such as special programs/initiatives.
5) Altmayer Consulting, First 5 LA and LAUP should meet with the Joint Sustainability Workgroup to provide input and further refine the final product before the May Commission meeting.
Commissioner Au commended Gary Mangiofico (LAUP Chief Executive Officer) for developing LAUP’s alternative proposal in terms of reflecting the concerns that the Commission had which precipitated the November 28, 2007 Board motion. The counter proposal had embedded several of the recommendations of the November 28, 2007 Board motion and this seemed a step forward. Commissioner Au also commented that LAUP was beginning to understand the issue that the Commission was grappling. This afforded the opportunity for LAUP and First 5 LA to come to the table in the spirit of cooperation and openly communicate about the issues already identified.

Commissioner Fielding reinforced his skepticism about LAUP fundraising the necessary amount of money needed to continue operating at its current level.

Commissioner Au also suggested looking at other County programs, such as the STEP Program, for ensuring quality provision of services.

Commissioner Wilder commented that she thought the conversation was moving in the right direction.

8. Approval of the 14 Recommended Applicants as Outlined in the COF Funding Recommendations Report

Director Nuno reported that as approved in November 2006, the COF reflects a responsive giving strategy to respond to community needs and changing social trends. Staff worked with consultants to further operationalize the funding of capacity building and policy and advocacy projects through the development of outreach materials, a logic model to guide project design, and application and review processes and documents.

Director Nuno also commented that in July 2007, an online Letter of Intent (LOI) was released. In response, 117 applicants submitted a LOI by the September 2007 deadline. Following an interdepartmental staff review of the applicants, 36 were selected to write a full proposal. Staff is presenting to the Board of Commissioners a total of 14 recommended applicants following a thorough assessment of proposals by both an external and internal team of reviewers.

 Commissioners were provided with the COF Cycle One Funding Recommendations Report outlining the comprehensive application and review processes employed to evaluate the proposals. A description of each applicant agency and proposed project was also included within the report for Commissioner review. Grantee contract negotiations will move forward upon approval of the recommended applicants.

Director Nuno also reported that staff will be providing feedback to those applicants declined for Cycle One funding and will offer assistance for reapplying for the second cycle. In preparation for Cycle Two, staff are assessing and reflecting upon aspects of the first funding cycle processes and documents that may benefit from further development or revision. The Cycle Two application process is anticipated to commence in July 2008.

M/S (Jonathan Fielding / Nancy Au) APPROVED AS RECOMMENDED
9. Approval of the Staff Recommendation in Response to Proposed Revised Requirements for Future Funding Approval

Director Nuno clarified that it was the staff’s recommendation and intent to follow the direction of Commissioner Fielding’s motion for the requirements that he stated in his correspondence of all future large investments of funds or renewal of initiatives.

Director Nuno referenced the correspondence from Commissioner Jonathan Fielding whereupon it was proposed that the Commission consider a motion to incorporate revised requirements for future funding recommendations. Based on staff’s review of this item, it is in agreement that a more systematic application of cost effectiveness, cost benefit analysis (when applicable and feasible) and a comprehensive analysis of the use of evidence based practices be provided to the Commission when considering funding decisions. Staff considers this a timely issue to address given the Commission’s history, lessons learned, and its current strategic planning activities.

Staff recommends that the proposed item by Commissioner Fielding be considered not as a stand alone Board item for discussion but also as a key component of the strategic planning process for the following reasons:

A. A Sunsetting Process and Tool is currently utilized by the Commission and will be ending with the current Strategic Plan. Hence, the Commission will need to determine whether to continue with this renewal process or replace it with a new set of sunsetting policies and procedures.

B. The internal assessment and Commissioner Interview phase of the current First 5 LA Strategic Planning activities being conducted by our Consultant team has highlighted extensive feedback regarding the need to establish core outcomes, agreed upon methodologies for assessing impact and the allocation of resources required to support these analyses.

Based on the above, staff has identified a number of discussion points that need to be addressed in order for staff to move forward with the development of an approach to financial and impact analysis.

Commissioner Au expressed the following concerns on behalf of Commissioner Stockwell, who was unable to attend the Commission meeting, regarding the proposed requirements for future funding approvals:

a. The Commission needs some type of mechanism to determine a project’s advocacy versus project impact and/or effectiveness.

b. The Commission needs a mechanism for grantees to be able to express their level of satisfaction in working with First 5 LA.

Commissioner Fielding commented that he would not want to have the proposed requirements for future funding approval to be delayed until the completion of the strategic planning process. He commented that the discussion points identified by staff were excellent but this was a philosophy and policy decision.
Commissioner Kaufman amended the motion being discussed and moved that First 5 LA shall require that all new, renewing or modifying initiatives/programs/projects undergo analysis in an amount appropriate to its size, scope and importance in, at a minimum, the following areas:

1. The degree to which evidence-based approaches are planned to be used and/or were used;

2. The degree to which outcome measures are planned to be used and/or were met;

3. Financial assessment that includes expected and actual full costs per client or unit of service, or other metric as appropriate, related to the actual short-term outcomes and long-term outcomes;

4. The effect of the opportunity being analyzed on other existing, potential and planned First 5LA investments and activities;

5. The grantees’ opinions regarding First 5 LA’s processes, approaches and priorities relevant to the activity.

M/S (Neal Kaufman / Jonathan Fielding) APPROVED AS AMENDED

10. Public Comment

Gary Mangiofico, CEO, Los Angeles Universal Preschool

ADJOURNMENT

The meeting adjourned at 3:52 pm.

The next regularly scheduled Commission meeting will be on:

May 8, 2008 at 1:30 p.m.
Multi-Purpose Room
750 N. Alameda Street
Los Angeles, CA 90012

Meeting minutes were recorded by Maria Romero.