CALL TO ORDER / ROLL CALL:

1. Chair Yaroslavsky called the meeting to order at 3:30 pm.

COMMISSION: (Items 2 – 5)

Chair Yaroslavsky announced that for the record, all agenda items are being considered at the time.

Item 2 Approval of the Los Angeles Universal Preschool (LAUP) FY 2006-2007 Annual Report

Item 3 Request from Los Angeles Universal Preschool (LAUP) to Approve Their 2007-2008 Scope of Work, Budget and Sustainability Plan

Item 4 Discussion and Possible Action on Alternate Los Angeles Universal Preschool (LAUP) Sustainability Plan Announcements by the Commission Chair

Chair Yaroslavsky commented that a meeting had been held at his office between First 5 LA Commissioners, LAUP Board Members, Evelyn V. Martinez and Gary Mangiofico to attempt to work through some of the issues pertaining to LAUP’s budget for FY2008-09 and future sustainability.
Chair Yaroslavsky stated that the Commission had a responsibility of maintaining fiscal integrity while providing sufficient resources for LAUP to continue their mission, perhaps not in the same manner as initially conceptualized, but the circumstances in which LAUP finds itself are not the same. It would be fiscally irresponsible for the Commission to ignore this situation. As a result, a prudent approach has been developed in which the Commission can position itself to continue to be able to funds its other programs as well as universal preschool.

Commissioner Kaufman commented that First 5 LA Commissioners, LAUP Board members and staff had been meeting since the summer to collaborate on the development of a sustainability plan for LAUP. At several meetings, it seemed that a coherent and logical framework could not be developed. After the meeting at Chair Yaroslavsky’s Office, the couple of weeks prior to this Commission meeting were used to conceptualize ideas and develop the proposed motion.

Commissioner Kaufman presented the following motion to the Commissioners for consideration:

WHEREAS:

1. The First 5 LA Commission is committed to maximizing early learning experiences for all young children with one key approach being universal, high-quality preschool for all 4-year-olds in Los Angeles County.

2. With the failure of Prop. 82 and other challenges to raising funds, it is evident that neither enough public money nor public will currently exists to sustain the existing universal preschool strategy, nor will there be enough money available in the foreseeable future.

3. A modified strategic approach to supporting universal preschool in Los Angeles County – one that is more in line with existing political and financial realities – must be pursued to provide informed direction to the First 5 LA Commission, to LAUP, to other potential entities that could take an active role in meeting the preschool goals for all 4-year-olds, and to the variety of stakeholders. This modified approach must be decided upon and implemented quickly with minimal disruption to children and families and to preschool providers.

4. This Commission is committed to creating a fiscally sound approach for LAUP, such that it will be able to optimally align their mission and work around meeting the revised goals of the Commission, and to improve and strengthen the common partnership between the two entities in their mutual efforts to enhance preschool opportunities for 4-year-olds in Los Angeles County. The suggested fiscal approach is outlined below.

THEREFORE THE FOLLOWING MOTION IS PROPOSED:

1. First 5 LA will continue to support enhancing early learning experiences for 4-year-olds at the previously agreed upon total dollar amount of $580 million with the approved additional $20 million for evaluation bringing the commitment to $600 million. In addition, interest generated from a portion of that earmark will be available to contribute to this effort.

2. First 5 LA will complete a planning process for increasing the availability and quality of preschool for 4-year-olds in Los Angeles County. This plan will detail the overall First 5 LA approach to enhancing preschool availability and quality and will include (1) an analysis of the range of approaches to meet our goals; (2) the establishment of the minimum number of preschool spaces LAUP needs to accomplish the objectives set forth in the new strategies developed by the planning process, taking into account the long-term funding approach spelled out in this motion; (3) determine what entities, in addition to LAUP, might be able to
provide support to the implementation of our modified approach and define their roles, responsibilities and funding options; and, (4) define the roles of key stakeholders. First 5 LA will provide financial and logistical support for any necessary consultants, LAUP and other stakeholders so that the planning process can be efficient and productive.

3. Approve a FY07-08 LAUP budget not to exceed $60 million, of which $40 million has previously been allocated by the Commission’s action on June 14, 2007. An additional amount will be available, if needed, to cover capital expenses beyond this amount via the Preschool Capital Contingency Fund (see below). Any unspent dollars from FY07-08 will be placed into the Preschool Capital Contingency Fund unless LAUP requests and the Commission approves that the unspent dollars be allocated to the FY 08-09 budget. LAUP’s FY07-08 scope of work is approved to scale back to conform to this FY budget approval.

4. First 5 LA will allocate $200 million in funding for LAUP for the next 10 years, beginning in July 2008 (from the dollars remaining from the original $580 million early education earmark) starting with $40 million beginning FY 2008/09. Each subsequent annual total LAUP budget (from all sources) must be at least equal to the $40 million starting amount with funding coming from First 5 LA and other sources. The First 5 LA funding will decrease by about 17% each year, with the remainder of LAUP’s annual budget to be derived from revenue LAUP generates. LAUP’s continued allocation from the total earmarked First 5 LA funds will be contingent on LAUP successfully completing a scope of work that is modified to meet the approved budgets and includes LAUP securing agreed upon matching funds.

5. First 5 LA will create a $200 million Early Learning Endowment (from the dollars remaining from the original $580 million early education earmark) within the First 5 LA account to generate surplus dollars earmarked for learning experiences for 4-year-olds. This approach will provide a stable source of funds with the goal of building a contingency fund equal to one time the annual LAUP budget of $40 million.

THE ENDOWMENT WILL DO THE FOLLOWING:

- Generate an estimated $8 million per year (at an interest rate yield of 3.5%) and provide $5 million per year starting in year four (FY2011-12), and for the duration of this agreement, and provide up to $8 million per year beyond the duration of this agreement, if approved by the Commission. These funds are to be made available for LAUP as part of the First 5 LA's earmarked funds.

- Generate dollars to be placed into the contingency funds to be available to mitigate the risk if LAUP is unable to meet its fiscal responsibilities in any given year. These surplus funds will be used only if LAUP is unable to raise sufficient funds to meet its obligations and with the approval of First 5 LA Board of Commissioners. No more than 25% of the existing surplus will be allocated to LAUP in a given year.

6. If LAUP fails to meet its fundraising obligations for any two consecutive years, the Commission will begin to decrease the following year's allocation to LAUP in an amount equal to the past year's shortfall. Funding in an amount equal to the amount not allocated to LAUP will be used to support other approaches to providing preschool and other early learning services for 4-year-olds.

7. First 5 LA will create an additional $20 million Preschool Capital Contingency Fund to be available for LAUP to meet its current binding obligations as of November 26, 2007 toward capital construction and renovation. These allocations will be approved as part of the usual
LAUP budget process. Unspent dollars from LAUP’s FY 07/08 budget would be placed into this account unless the Commission approves their use in the LAUP FY08/09 budget.

8. First 5 LA staff and legal counsel are directed to initiate and negotiate the necessary contract amendments and other implementing actions with LAUP. Staff shall report back to the Commission at its March 2008 meeting regarding the status and progress of these items.

9. LAUP’s current annual report is received and filed and has been considered by the Commission in making this decision.

ROLL CALL VOTE OF MOTION REGARDING LAUP SUSTAINABILITY PRESENTED BY COMMISSIONER KAUFMAN:

- Nancy Au, Yes
- Jane Boeckmann, Yes
- Cynthia Harding, Yes
- Neal Kaufman, Yes
- William Arroyo, Yes
- Evangelina Stockwell, Yes
- Corina Villaraigosa, Yes
- Carolyn Wilder, Abstain
- Zev Yaroslavsky, Yes

MOTION APPROVED AS PRESENTED AND RECOMMENDED

5. Public Comment

Lucy Fitzpatrick, Office of Public Counsel
Gary Mangiofico, LAUP

ADJOURNMENT

The meeting adjourned at 4:40 pm.

Meeting minutes recorded by Maria Romero.