

**FIRST 5 LA
SUMMARY MEETING NOTES
Executive Committee Meeting
March 3, 2014**

APPROVED: 4/15/2014

COMMITTEE MEMBERS PRESENT:

Nancy Au(Chair)
Duane Dennis
Sandra Figueroa-Villa
Neal Kaufman (Vice-Chair)

STAFF PRESENT:

Kim Belshé, Executive Director
Raoul Ortega, Finance Manager
Linda Vo, Executive Assistant
John Wagner, Chief Operating Officer

COMMISSIONERS PRESENT:

Don Knabe

RECORDING SECRETARY:

Linda Vo, Executive Assistant

LEGAL COUNSEL:

Craig Steele

1. Call to Order/Roll Call

The meeting was called to order by Committee Chair Au at 10:03 am. Committee Chair Au welcomed everyone in attendance. Roll call is completed.

2. Review of Executive Committee Meeting Notes –January 15, 2014

THE ITEM WAS RECEIVED AND FILED

3. Standing Updates

1. Review of Annual Operating Budget
2. Annual Audit
3. Review of Annual Report to the State Commission
4. Fiscal
5. Contract Compliance
6. Quality Assurance
7. Evaluation
8. Policy and Advocacy
9. Personnel and Compensation

There is no discussion on the above items. Discussion moves on to the next item.

4. Policy Update – Fund Balance Policy

Mr. Ortega goes into some background of the Fund Balance policy. Back in May 13, 2013, Staff presented to the Board amendments to the Fund Balance Policy that was also approved. These amendments would incorporate language that was directly related to the reserve. Today, as an information item, Mr. Ortega informs the Committee that through the work of the 3M group, they have begun to develop a standardized procedure for updating

policies. Mr. Ortega informs the Committee that the first policy that is being updated is the Fund Balance policy that will also now be on a new template of how policies would be addressed. Mr. Ortega says that incorporated in this Fund Balance policy are some clarifying language. He also says that definitions are now provided in Fund Balance Policy to help provide further clarification of this policy. Please see below for the definitions that have been added.

DEFINITIONS AND REPORTING

- A. Non-spendable:** *That portion of fund balance that includes amounts that cannot be spent because they are either 1) not in a spendable form; or 2) legally or contractually required to be maintained intact.*

Example: Cash advances to grantees and contractors such as Los Angeles Universal Preschool and LA Care Health Plan.

- B. Restricted:** *That portion of fund balance that reflects constraints placed on the use of resources (other than non-spendable items) that are either 1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or 2) imposed by law through constitutional provisions or enabling legislation. A Resolution approved via formal action by the Board of Commissioners is required to accept the restricted funds, acknowledging receipt for fund balance purposes.*

Example: Funds advanced by First 5 California under specific agreements for services such as matching funds for specific initiatives.

- C. Committed:** *That portion of fund balance that includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Commissioners. These constraints remain binding unless removed in the same manner. A Resolution approved via formal action by the Board of Commissioners is required to commit funds for fund balance purposes.*

Resources in this category may include:

- 1) Resources committed for a specific purpose and/or future initiatives.*
- 2) Funding that has been designated for legally enforceable contracts but not yet spent, including multi-year contracts.*
- 3) Resources that have been committed by a Commission for specific agreements that have not yet been executed.*
- 4) Resources committed as a local match for State Commission initiatives, programs or projects within the approved long range financial plan, funding recommendations or the strategic plan.*

Example: Funds allocated to programs like Los Angeles Universal Preschool and various Countywide Initiatives, such as Children's Dental Care and Healthy Food Access.

- D. Assigned:** *That portion of fund balance that includes amounts constrained by the Commission's intent to be used for specific purposes, but that are neither restricted nor committed. The purpose of the assignment must be narrower than the fund itself. Assignments can be made via formal motion approved by the Commission; a Resolution is not required to assign funds. The Commission has elected not to designate a separate body, committee or an official who can specify such purposes.*

Resources in this category may include:

- 1) Appropriation of a portion of existing fund balance sufficient to eliminate a projected deficit in the subsequent year's budget.
- 2) Resources assigned to a specific program, project or organization for which the Commission has approved a plan or budget.
- 3) Resources approved by the Commission for a long range financial plan (where formal approval is not required to modify the amount).

Example: Funds reserved for Commission use consistent with the Fiscal Year 2009-15 Strategic Plan shall reflect the following parameters – 90 percent Program (includes Countywide Strategies and Place-Based Investments), 5 percent Research and Evaluation and 5 percent Administrative.

Because the Committed and Assigned fund balance components are commonly confused, the First 5 Association of California Financial Management Guide provides the following chart to distinguish between these two categories:

Comparison: Committed vs. Assigned

	Committed	Assigned
A decision to use funds for a specific purpose requires action of governing body	Yes	No
Formal action of governing body is necessary to impose, remove or modify this constraint and formal action has taken place before end of reporting period	Yes	No

E. Unassigned: That portion of fund balance that cannot be reported in any other classification but may reflect an internal restriction that requires a footnote to the Financial Statements.

Resources in this category for First 5 LA purposes may include:

- 1) **Minimum Fund Balance Reserve:** Must include 25 percent of the total Operating and Programmatic budget, to be adjusted and approved annually. Reserve funds may be utilized for the following purposes.
 - a) **Cash Flow:** To mitigate delays in receiving revenues.
 - b) **Extreme Events:** To restore and continue operations, should an unanticipated event or natural disaster occur.
 - c) **Budget Stabilization:** To ensure a sufficient level of fund balance to meet the Commission obligations in the event of a revenue shortage.
- 2) Operating funds which includes personnel related cost, services and supplies.

The next step would be to bring all the policies that are amended to the Board in one packet so that they are aware of all the amendments.

Vice Chair Kaufman would like to know when the Commission can move money to one category to another. For instance if the money is restricted, can we take the money and move it to another category?

Mr. Ortega says that this could be done but that it would require the same vehicle to undo it. For instance, if it took a resolution to commit funds, then it would require the same vehicle to undo this commitment.

Committee Vice Chair Kaufman would like to know what type of a vote it would take to move the funds? Should we go through the same vehicle or have more of a super majority vote to undo? Committee Vice Chair Kaufman would like further clarification on the governance side of how to undo an action.

Committee Chair Au would like to know what approach is used during the budgets process.

Mr. Ortega responds and says that it is the same approach in which it was approved. For example, this past fiscal year, the former Chair brought permanent housing before the Commission for action to add an additional \$10 million for permanent housing, which was not in our budget to spend. But through a resolution, \$10 million is now committed for this program and cannot be spent in any other way.

Ms. Belshé adds by saying that with the governance guidelines in place with the “Paygo” item, individuals whom would like to place a motion before the Commission would be required to identify from which bucket of money would be used in order to fund the program that is being presented.

Committee Vice Chair Kaufman says that he would like to also have the power to undo what Commissioners take action on if they so choose to change their minds. Wants to know what type of language would need to be included to be more explicit.

Commissioner Dennis would like to know what happens to funds that have been committed but have not been spent?

Mr. Ortega responds by saying that at the budget level, anything that is budgeted for the zero-based efforts for that year, it would go back to the general funds if it is unspent. However, for those programs that have multiyear allocations, unspent money would still be frozen under that umbrella for that item.

Commissioner Dennis would also like to know if this is included in the fund balance policy.

Mr. Ortega says that it is not explicit in this document and can explore of whether or not it makes sense to include it.

Commissioner Dennis says that there will be a lot of concern over unspent funds once the contract or term ends and First 5 LA needs to be clear about what would happen to these funds so that these individuals can know what to expect.

Ms. Belshé says that staff will take on the input they have received today and determine how to incorporate them.

There is no further discussion on this item.

5. Governance Guidelines

Ms. Belshé says that there has been additional dialogue on the governance guidelines with the Budget and Finance Committee as well as the Program and Planning Committee, and now today, the Executive Committee.

Mr. Steele says that there is a hierarchy of bodies that govern over First 5 LA that we cannot change. ie Prop 10 which is why he proposes that the governance guidelines only be placed within the following governing bodies:

1. Bylaws
2. Strategic Plan
3. Board Policy
4. Internal Policy

He goes on to indicate that the governance guidelines are color coded to suggest where certain items could go once they are adopted.

For example, Mr. Steele says that if there some items that are in the Bylaws, then there would be no need to also include them in Board policy since the Bylaws are above Board Policy.

In addition, Mr. Steele points out that some items are suggested to be adopted both in the Strategic plan as well as the Bylaws because each document has a different audience. For instance, the Strategic plan is an external document that tells the world how First 5 LA would operate and sets expectations for grantees and others we do business with. And the bylaws only have an audience of ourselves and is not often viewed or used by the world.

There was a question of whether or not to include item 10 should be included in the Board policy and internal policy, as well as the strategic plan and the bylaws. And though Mr. Steele sees that it can be seen in all the documents, he sees no reason to duplicate in Board Policy since Bylaws are above Board policy

To respond to Commissioner Dennis' question regarding reconsidering money that has been committed but not yet spent, Mr. Steele suggests that it may make sense to go in item 3 on the governance guidelines, given the long term projection aspect of it.

In response to the Supermajority issue, to increase to a 2/3 vote to a 7 member vote, one of the guidelines already has a 7 member vote required to change an allocation. However, there is no suggestion to increase the 6 vote requirement in the bylaws. This 7 vote requirement in the governance guidelines is to only override what's in the governance guidelines in events of emergencies. Please see below for this item:

- *Maintain Commission flexibility to respond to significantly changed circumstances and emergencies by authorizing exceptions to the Governance Guidelines via a vote of 7 of 9 of the voting members of the Commission.*

Committee Vice Chair asks whether or not there should be an inclusion of a supermajority vote being required in order to move funds from Committed to uncommitted and would like to know whether this would be added?

Mr. Steele says that it would be best to include in the Bylaws a list of all those items that would require a supermajority vote.

Supervisor Knabe agrees that this would be the cleanest way of making this addition.

There is discussion around whether or not there should be a requirement of a 6 majority vote or a supermajority vote to undo a past action.

Committee Chair Au would like to know if there should be some type of triggering mechanism to know if there are specific projects that the Commission should reconsider if there are unspent funds.

Some of the changes on Governance guidelines are in reference to sustainability and leveraging, understanding that all organizations are different in size and with different capacities. Ms. Belshe says that staff are playing with the language to account for these differences as it relates to sustainability and leveraging.

Supervisor Knabe feels that even if leveraging and sustainability are not applicable for particular organizations, it should still be noted on the application and applicants can mark this item as NA if it does not apply to them. He feels that this is important.

Committee Vice Chair Kaufman would like to know if scalability should be included in the language, noting its difference from sustainability. He feels that there should be an expectation that these organizations would be able to take their program to a larger scale without the dependency on First 5 LA dollars.

Ms. Belshé says that staff can look into how they can ask applicants on how to apply scalability to their proposal and may call it out more explicitly in the leveraging section.

Commissioner Dennis feels that scalability is a part of a strategic proposition. For example, he feels that this is a framing for what you do and how you do it and the goals around it.

Ms. Belshé says that under item 7, if approved at the March Commission, then staff will come to the Program and Planning Committee in March and/or to the full Commission in April with a list of grants that are coming to an end come July 1.

Expiration of contracts/grants. Each First 5 LA contract/grant will have an expiration date. Multi-year First 5 LA services-related investments will end pursuant to the time stated in the original allocation or grant award. The Commission is under no obligation to continue funding beyond the initial contract term. Should future requests be forthcoming after the contract term is over, these requests will be evaluated based on the 2015-20 Strategic Plan criteria (see below). Staff will provide an annual Board update each spring on expiring grants and contracts.

Ms. Belshé also notes that one of the items that will be discussed around expiring grants is on Partnerships for Families (PFF), where they are already meeting the sustainability

and leveraging criteria. The plan is to have PFF transition to being supported by the Department of Children and Families Services and for First 5 LA to provide bridge support for six months during this transition period. This would require a 7 of 9 votes by the Commission in order for this motion to pass.

There is no further discussion on this item.

6. Board Roles and Responsibilities

Ms. Belshé says that this is level setting conversation, given her goals and objectives presented at the January meeting, related to the importance of having clarity on the following:

- Work with Executive Committee to develop and execute a Board Development and Learning plan (Spring 2014):
 - Board duties, roles, and responsibilities
 - New Commissioner training/orientation
 - Board learning agenda (content focus)
 - Commissioner training and engagement as “assets” and “ambassadors”
 - Overall evaluation of F5LA, including review of Board performance
- Work with Commissioners to strengthen communications and the flow of info to ensure alignment of Board decisions and info required.
- Measures of success: endorsement of governance guidelines, implementation of Board Development Plan and assessment of Board performance, and quality/timeliness of info for decision-making.

Ms. Belshé reminds the Committee on the current duties and responsibilities that are in the bylaws, and informs the Committee that staff will do additional due diligence on what is good governance. This will be done via by comparisons with other nonprofits, as well as other grantmaking organizations so that gaps can be identified on best practices, including other similar organizations, as well as other First 5 LA’s.

Ms. Belshé says that the goal of presenting this to the Executive Committee would be to further strengthen and clarify the duty statements in the bylaws and get feedback from the Committee so that a recommendation could be made to the full Commission.

Commissioner Kaufman would like to know when would be the next meeting when this item would be proposed.

Ms. Belshé says that the goal would be to come back to the Executive Committee the following month with some recommendations on minor changes that would be made to the Bylaws on the duties and responsibilities of the Commission, as well as some suggestions on a Board learning plan. Then with the feedback and endorsement of the Executive Committee, it would come to the Full Commission as an information item and then the following Commission meeting for action.

Ms. Belshé says that Commissioner training would be included in the bylaws in addition to some clarifying language on Commission duties and responsibilities.

Supervisor Knabe says that it would be important to ensure that all the 10 basic responsibilities from Board Source are incorporated into the bylaws before it comes back to the full Commission for a vote.

Commissioner Dennis comments that orientation should not be for just new Board members and therefore should be for everyone given certain areas have never been dealt with in the past with Commissioners, since there has never been a formal orientation in place for any Commissioners. He also comments that Board development is an ongoing process and that training should be looked at as something routine for all Board members.

Ms. Belshe agrees and informs the Committee that there will be two types of training:

Technical- ie. Brown Act and Conflict of Interest

Content: Something like the Bob Sege dinner, where the discussion was around Project Dulce and its connection to the Best Start work.

Commissioners Dennis comments that it would be good to have both trainings as a part of ongoing Board development because it will help Board members become better board members from both a content perspective as well as a technical one.

There is no further discussion on this item.

ADJOURNMENT:

The meeting was adjourned at 11:25 am.

NEXT MEETING:

The next scheduled meeting will take place as follows.

Tuesday, April 15, 2014
10:00 am – 12:00 pm

First 5 LA
Conference Room B
750 N. Alameda Street
Los Angeles, CA 90012

Meeting minutes were recorded by Linda Vo, Secretary to the Board of Commissioners.