Call to Order/Roll Call

The meeting was called to order by Chair Southard. Roll call completed.

Review of Meeting Notes – Budget and Finance Committee, June 5, 2013

THE ITEM WAS RECEIVED AND FILED

Combined Financial Annual Report (Audit)

Ms. Chough highlights the process of how the Finance Department provides monthly updates of First 5 LA’s financials to the Board of Commissioners at its monthly Commission meetings. Accordingly, the Finance Department creates unaudited internal reports. At the end of the year, these reports are then audited officially, onsite by an external organization. The audit is expected to be completed by the end of September, at which point the independent audit report completed by the auditors will be presented to the Commission at the October Commission meeting.

Government Financial Officers Association (GFOA) Update

Mr. Wagner reports on the work that is being done with the GFOA to keep the committee apprised of all its work. He covers a matrix (Application Portfolio) of First 5 LA to give a snapshot of the challenges of its current business processes. Mr. Wagner would like to emphasize that First 5 LA is very unique organization in that it has so many different systems. On the matrix, on the far left column, shows the discreet systems that First 5 LA uses to do a certain key, significant business function, which is very different from many other organizations, where they may only use one system to run their entire business. First 5 LA does not use one primary system to run its business and as a result, the communication between the different systems is not present since they all run on different platforms. There is a lack of integration between the different department’s business systems.
Some findings/recommendations of GFOA last year:

1. Given that 80% of First 5 LA’s business is done through contracts (grantees/vendors/contractors), the systems that keep this information is very crucial to First 5 LA’s everyday business function
2. Our technology systems had not been updated since they were purchased. Some systems hadn’t been updated for over 9 years.
3. There is a lack of integration between fiscal and program side of business systems. For example, if there is a logical question such as who did the program serve, what did we get and how much we spent, First 5 LA has difficulty gathering this information because the information is not centralized. In some instances, staff has been keeping track of information manually.

These findings are consistent with the L3 findings and learning. We are also trying to use these findings to keep our business moving forward here at First 5 LA. Accordingly, we engaged with GFOA (Contract signed in latter part of June, 2013) to do additional work:

1. Map business processes across organization. Document where technological needs may be needed in the organization
2. Gap analysis conducted to find technological gaps
3. Provide options for covering the gaps and a cost benefit analysis for these options

In order to fulfill this engagement, there were a series of three-on-site meetings that GFOA committed to. First meeting took place the week of July 22. Significant group of staff participated in 9 different focus groups that focused on business functional areas. GFOA present to document the business processes to see how we could improve on the current

Some preliminary feedback from GFOA already received. GFOA will come back out to staff and train staff on a lean process and improvement tool. This is a facilitative process of calling out all ways of redundancy to eliminate the areas of waste and redundancy and then make recommendations for improvement.

This process is expected to be completed within the next 2-3 months.

Chair Southard sees that it will be important to see the impact-analysis of the GBD and CMS at First 5 LA. In building the future, the Chair sees that it is imperative to see, during the developmental stages of the new business programs, what is sought from these programs for its impact and usefulness. The Chair states that is also important to see the cost benefit analysis of what the GFOA recommends to improve on our business system. Ms. Belshé adds to Chair Southard’s statement by indicating whether it be improving on our current systems or replacing them with an entirely new system, the goal outcome would be to be report and capture data in a more concise and efficient manner.

5. Update on Review of Bylaws and Policies and Procedures: Considerations for Budget and Finance Committee

Mr. Steele reports that the Executive Committee has tasked the staff with updating all the Bylaws and Policies and Procedures of First 5 LA. Because the Budget and Finance Committee was created as a result of the Harvey Rose audit back in 2011, there was no specificity made when creating its roles and responsibilities. But with a couple of years gone by, there is now an attempt to make the roles and responsibilities of the Budget and Finance Committee more concrete and specific, thus less generic. Mr. Steele makes some recommendations on some
proposed changes of the role of the Budget and Finance Committee within the current bylaws of First 5 LA. Changes are proposed as follows:

C. Budget and Finance Committee

The Budget and Finance Committee shall be a standing Committee of the Commission. The Commission Chair shall appoint a member of each year to serve as the Committee Chair, and three other voting members of the Commission to serve as members of the Committee. The Budget and Finance Committee shall oversee the effectiveness of the annual audit process and assist in maintaining the integrity of internal control and financial reporting, and shall review the draft annual business plan and proposed budgets prior to Commission action. The Budget and Finance Committee shall provide feedback and advice to the Executive Director regarding the following budget and fiscal tasks:

- Review draft annual business plan and proposed budgets.
- Review proposed fiscal policies and procedures.
- Review proposed scopes of work for annual audits.
- Ensure that required annual audits occur and review audit reports.
- Review audited financial statements.
- Other tasks delegated to the Committee by the full Commission, or as requested by the Executive Director.

The Commission Chair shall appoint a member each year to serve as the Committee Chair, and three other voting members of the Commission to serve as members of the Committee. The term of office on the Budget and Finance Committee shall be for one (1) calendar year. The Budget and Finance Committee shall meet in open and public sessions in compliance with the Brown Act except where a closed session is warranted and called according to applicable law. Minutes of the Budget and Finance Committee meetings shall be kept and distributed to all members of the Commission.

Mr. Steele asks the Committee if there are any other items that they feel should be within the purview of the Budget and Finance Committee that he did not already cover. Chair Southard likes the specificity of the proposed changes and has no objections. Ms. Belshé suggests that the last bullet be revised as follows in bold:

- Other tasks delegated to the Committee by the full Commission, Executive Committee or as requested by the Executive Director.

Ms. Brenda Robinson, from the Second District, would like clarification on what happens when a Committee makes a recommendation to proposed changes. Mr. Steele reminds Ms. Robinson that once a committee makes a recommendation, it would have to go before the full Commission before any action can be taken. Committees can only make recommendations and cannot make any binding decisions on behalf of the full Commission. Accordingly, Ms. Robinson would like the language that appears in the bylaws within the Executive Committee section to also be duplicated within the Budget and Finance Committee section that states the following:

The Executive Committee shall not make binding decisions that are decisions of the Commission under applicable law...

Ms. Belshé agrees that this suggestion by Ms. Robinson is a good idea. Mr. Steele indicates that he will add this additional language to his already proposed changes.

Mr. Wagner proceeds with Item 5, reporting on the policies and procedures of First 5 LA. He highlights that there are currently 129 known policies and procedures that First 5 LA has been able to identify and consolidate into one working document. The policies and procedures that are highlighted on the document are those that have risen to Board level for consideration in the past and there are currently 15 of these that have gone before the Board for consideration.
The goal will be to review the current 129 policies and procedures that have been identified to see if any updates and changes are necessary and to see if there are any missing that should in fact be there. For instance, Mr. Wagner states that there are four different policies/procedures on dealing with the budget. There is one for establishing the budget, modifying the budget, one on the operations budget and one on the program budget. Mr. Wagner suggests that it may make more sense to consolidate these four different policies on the budget into one integrated and coherent policy. Staff will be working with the Executive Committee to establish a standardized list of policies and procedures and to highlight those policies that rise to Board level to see if changes are necessary.

First 5 LA is also in the process of establishing an internal policies and procedures workgroup that will have representation across all departments, to review the current policies that are being practiced, to get a better idea of how to standardize and consolidate all the different policies into a more cohesive working document/manual. Ms. Belshé notes that there may also be a case where the current policies that had risen to Board level in the past may not necessarily require Board engagement today, which is what staff will be engaging with the Executive Committee to determine criteria for.

Commissioner Bostwick would like to ensure that any policies that relate to other organizations, ie. those policies related to “life threatening illnesses” and “smoking”, as indicated in the current list of 129 policies, be aligned with the current language/definition of the policies of the Department of Public Health. She feels that alignments, such as these, are very important as First 5 LA reviews its policies to ensure that they are all up to date.

Ms. Chough comments on Chair Southard’s question of how GFOA relates to the policies and procedures of First 5 LA. She indicates that one of the goals of GFOA will be to improve value of the customer relationship and reduce waste. For instance, in regards to contracts, First 5 LA seeks Commission approval before entering into solicitation and also seeks approval from the Commission to sign the contract. GFOA was surprised to see that First 5 LA does both processes when it is only necessary to do one.

6. **Update on Welcome Baby Scale Options with Impact on Revenues**

Mr. Ortega reports on the level of revenue and demand on uncommitted fund balance with regards to Welcome Baby Hospitals for the next four years, given different scenarios, through Fiscal Year 2016-17. In a packet that Mr. Ortega provides, there are charts that show the following:

1. Demand on uncommitted fund balance for the current 10 hospitals is $130,000
2. Demand on uncommitted fund balance for 13 hospitals would be $9.7 Million
3. Demand on uncommitted fund balance for 14 hospitals would be $12.1 Million
4. Demand on uncommitted fund balance for 25 hospitals would be $18.2 Million

Mr. Ortega states that back in June 2013, the Board approved the FY 2013-14 budget. Based on this budget, staff included 10 hospitals, and up to three hospitals, that would respond to the LOI that was out. After further review of the budget, staff is projecting that the only impact to the approved budget for FY 2013-14 would be if option #4 were chosen, which is funding for up to 25 hospitals.

The next four charts show First 5 LA current investments that are expected to end in the next four years, which do not impact the uncommitted fund balance that have been illustrated, unless there is further Board action to continue these investments/projects.
Mr. Ortega indicates that this item will be brought before the full Commission at the September Commission meeting for action to be taken.

Ms. Lisa Mandel, from the Third District, suggests that it might be helpful to include the overall cost of each of the projects that are going to end so that the Commission has an idea of how much of the budget is going to be impacted.

Mr. Ortega indicates that the Finance team will have these numbers ready by the Program and Planning Committee meeting on September 26, 2013. In addition, Ms. Belshé indicates that First 5 LA is planning on including MLK hospital as part of Welcome Baby. This recommendation will also be brought before the full Commission at the September Commission meeting.

7. **Best Start FYI**

Consistent with the Building Stronger Families framework that was endorsed by the Board back in June, Ms. Belshé reports that First 5 LA staff have been working diligently on implementing the framework. Staff plans to bring to the full Commission in September three items:

1. Implementation Timeline
2. Initial assessment of Community partnership readiness (capacity) of implementing the results-based framework
3. Initial thinking on the approach to funding of the Community Partnerships

Ms. Belshé states the reason for putting this item on the agenda today is to inform the Committee that there is activity underway with regards to Best Start and that there will likely be fiscal implications near- and long-term.

Ms. Belshé further states that staff is expecting to have some unexpended funds, with regards to implementing the newly endorsed framework, at the end of September and accordingly, would like to present to the full Commission at the September Commission meeting, the following three options for bridge funding:

1. Do not approve use of unexpended funding beyond September 30, 2013- meaning all financial support to the Partnerships would end September 30
2. Approve use of unexpended funding- this will allow Partnerships some level of continued support until the Commission makes a decision regarding a Best Start allocation.
3. Approve use of unexpended funding and an additional amount of funding – which is needed to help support transition activities such as the Self-assessments, and other work related to implementing the framework.

8. **Public Comment**
ADJOURNMENT:
The meeting was adjourned at 12:50 pm.

NEXT MEETING:
The next Budget and Finance Committee meeting will take place on September 30, 2013 at 10:00 a.m.

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

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