APPROVED: 02-09-12

FIRST 5 LA

SUMMARY ACTION MINUTES
Commission Meeting
January 12, 2012

COMMISSIONERS PRESENT:

Commissioners:
Nancy Au
Jane Boeckmann
Jonathan Fielding [Vice Chair]
Neal Kaufman
Alma Martinez
Marvin (Marv) Southard
Antronette Yancey
Zev Yaroslavsky [Chair]

Ex-Officio Commissioners:
Patricia Curry
Duane Dennis
Deanne Tilton

STAFF PRESENT:
Craig Steele, Interim Chief Executive Officer
Yolanda Bosch, Chief Administrative Officer
Antonio Gallardo, Chief Program Officer
Tracey Hause, Director of Finance
Elizabeth Iida, Director of Program Development
Maria Romero, Executive Assistant

LEGAL COUNSEL:
Nancy Takade, Principal Deputy County Counsel

CALL TO ORDER / ROLL CALL:

1. Chair Yaroslavsky called the meeting to order at 1:42 pm. Quorum was present.

CONSENT CALENDAR: (Items 2 – 4)

2. Approval of Commission Meeting Minutes – Thursday, November 10, 2011

Chair Yaroslavsky commented that since he was not in attendance at this particular meeting, he would abstain from voting.

M/S (Jonathan Fielding / Jane Boeckmann)
WITH NO FURTHER DISCUSSION OR OBJECTION,
THE ITEM WAS APPROVED WITH ONE ABSENTION

Approval of Commission Meeting Minutes – Thursday, December 15, 2011

M/S (Jonathan Fielding / Marv Southard)
WITH NO FURTHER DISCUSSION OR OBJECTION,
THE ITEM WAS UNANIMOUSLY APPROVED

Before continuing with the formal agenda, Chair Yaroslavsky presented a plaque to Angie Stockwell in appreciation of her service to the Commission from 2007 to 2011.

3. Approval of the Monthly Financial Statements for the Month Ending November 30, 2011

Director Hause presented the regular monthly financial statements for the Commission's review.

M/S (Jonathan Fielding / Marv Southard)
WITH NO FURTHER DISCUSSION OR OBJECTION,
THE ITEM WAS UNANIMOUSLY APPROVED

4. Approve New Contracts and Proposed Amendments for Existing Contracts and Grant Agreements in Support of Initiatives Approved as Part of the FY 2011-12 Programmatic Budget for the Period of January 1, 2012 to January 31, 2012 and Authorize Staff to Complete Final Contract Execution Upon Approval from the Board

CPO Gallardo reported that as part of the monthly practice, a list has been provided with 13 new contracts for execution and six grant amendments. The allocations for these items were approved as part of the FY 2011-12 programmatic budget. Information about all contracts and grant agreements, including scopes of work and budget are available on the website.

M/S (Jonathan Fielding / Antronette Yancey)
WITH NO FURTHER DISCUSSION OR OBJECTION,
THE ITEM WAS UNANIMOUSLY APPROVED

5. Announcements by the Commission Chair

Chair Yaroslavsky reported that the Commission is proceeding with selecting a search firm for the new Executive Director. This process is moving forward and it is anticipated that a status report will be provided to Commissioners by next month's Commission meeting, if not sooner.

Chair Yaroslavsky also commented that staff has been reviewing the various proposals received and will be making recommendations to the Ad Hoc Executive Search Committee which was appointed in the prior month.

Chair Yaroslavsky commented he would be waiting until the following month to make appointments to the various committees of the Commission as well as Liaisons. In the meantime, the committee appointments from the prior year remained in effect until new appointments are made. Chair Yaroslavsky stated that he appreciated all the work being done by Commissioners on committees.

6. Interim Chief Executive Officer's Report

In addition to the written report, the following items were highlighted:

- **Commissioner Update:** Commissioner Harriette Williams is recuperating at home from successful open heart surgery. She asked for her regards to be conveyed to all Commissioners and wishes that she were at the Commission rather than at home.

- **Proposed Bylaw Amendments:** A memo was distributed to each Commissioner containing the two proposed bylaw amendments that Chair Yaroslavsky indicated he would like considered by the Commission. One of the amendments makes the Executive Committee a standing committee of the Commission, subject to the Brown Act. The second amendment establishes the new Budget & Finance Committee, which was a recommendation of the Harvey M. Rose audit report. As mandated by the current bylaws, a 21-day advance notice of bylaw changes is required. Interim CEO Steele asked for Commissioner feedback and stated these proposed bylaw amendments would be placed on the agenda at the February meeting of the Commission for consideration and adoption.

Chair Yaroslavsky took a moment to introduce Nancy Takade, a distinguished member of the Los Angeles County Counsel staff. Ms. Takade will serve as counsel at Commission meetings while Mr. Steele is Interim CEO. Chair Yaroslavsky felt it would be prudent for the Commission to have a separate counsel so that Mr. Steele did not have to be his own lawyer given his current appointment. Chair Yaroslavsky appreciated the cooperation and assistance of the Office of County Counsel.

- **Workplan for Implementing Harvey M. Rose Audit Recommendations:** Staff has worked very hard to prepare a lengthy workplan for implementing all of recommendations of the Harvey M. Rose audit. The document will be distributed to Commissioners and will also become a public document. It is the intent that the fiscal and financial oversight type of recommendations and policy changes will all be in place by the start of the next fiscal year so that the new fiscal year budget will be considered and adopted in accordance with the recommendations of the Harvey M. Rose audit. There are personnel and technology related recommendations that will take longer to implement but a timeline has been established.

Commissioner Kaufman asked for an update on the County's deliberation on changes to the status of the Commission.

Chair Yaroslavsky commented that a motion, introduced by him, will be considered by the Board of Supervisors on Tuesday, January 17. The motion largely endorses the Harvey M. Rose audit recommendations including making the County's Auditor-Controller available to the Commission for services. Another item of note of the motion is that a representative from the Department of Child and Family Services (DCFS) would become a voting member of the Commission; and that the Office of Education appointee would become an ex-officio member of the Commission. Chair Yaroslavsky said that further discussion would be taking place at the Board of

Supervisors meeting; but the Department of Children and Family Services would be represented on the Commission which, in his opinion, was long overdue. The Board of Supervisors would decide on how this change would come about. He reiterated that the Board of Supervisors was seeking to be respectful of the work that has been done by the Commission and was largely satisfied with the direction the Commission was taking.

7. Appointment of Committee Chairs, Committee Members and Liaison

This item was continued to the February Commission Meeting.

8. Approve Healthy Kids Initiative Renewal, Including:

a) PMPM (Per Member Per Month) Rate Increase from the Current $72 to $117 Effective October 1, 2011
b) Multi-Year Funding With Annual Contract Renewal Through the Current Strategic Plan (June 2015) at Current Allocation of $9 Million/Year (Total $27 Million)

NOTE: Due to a potential conflict of interest, Vice Chair Fielding recused himself from participating in the discussion and subsequent action taken on this item.

CAO Bosch reported that staff was recommending approval for the Healthy Kids Initiative Renewal, specifically the PMPM rate increase and approval of multi-year funding consistent with the strategic plan timeline of June 2015 with an annual contract renewal.

The staff presentation provided background information on the Healthy Kids Initiative as well as information on outreach, retention and utilization activities of the program. Representatives from the Department of Public Health (Suzanne Bostwick) and LA Care Health Plan (Shawnalynn Smith) were present to answer questions.

Chair Yaroslavsky asked what was the additional amount, on an annual basis, that the Commission was approving for this program as a result of the rate increase. Ms. Smith responded that the total cost of the program was $9 million. Chair Yaroslavsky asked if $9 million was the total amount, then what the amount was prior to the increase. Ms. Smith responded that the Commission has spent $4 million in the last year and this would remain the same because enrollment would allow this figure to remain as is.

Chair Yaroslavsky asked for clarification on the amount of additional money that would be required of the Commission as a result of the proposed rate increase. CAO Bosch said that no additional money would be required. The total cost of the program has been $9 million for a number of years because enrollment was lower. Although there was an increase in rates, no new money was needed because of the low enrollment.

Chair Yaroslavsky asked why enrollment was dropping. Ms. Bostwick responded that there were a couple of different reasons. The Healthy Kids Program was set up as a complement to Medi-Cal and Healthy Families. This was basically the program of last resort and was primarily for kids who were not eligible for Medi-Cal and Healthy Families. Secondly, there are also lower immigration rates of families with very young children. With the political environment, there are a lot of families that do not want to come forward. Ms. Bostwick said it was very important to have grassroots efforts to talk to these families. To that effect, the certified application workers were very well trained to screen these families appropriately and manage to get a lot of these kids into Medi-Cal. Over 80 percent of all the applications end up with Medi-Cal. Healthy Kids is an important program to have in order to be able to say that a programs exists for every child ages zero to five.

Chair Yaroslavsky asked if the broadening of health coverage at the national level was also capturing some of the participants that otherwise would have been enrolled in the Healthy Kids Program. Ms. Bostwick said that it was not going to make a difference to the particular kids who were eligible for Healthy Kids because the majority of the issues were documentation issues. Health reform was not going to help these kids. There would still be a need for these kids. In general, there were still outreach workers stressing the importance of having medical coverage.

Chair Yaroslavsky stated that while he understood the Commission's target was zero to five, he asked if communication and outreach was done through the schools. To him, it seemed that a lot of the kids who are in elementary schools have younger siblings. He asked if any information has been provided to these kids to take home. Ms. Bostwick responded that the target population was zero to five and their families, which incorporated all the siblings. A very specific target population where outreach is actively done was with pregnant moms. In fact, 52 percent of all the applications that were done were from pregnant women or zero to five. The majority of the work that takes place in the community deals with providing assistance to the families with any type of troubleshooting in trying to access care. Ms. Bostwick further commented that communication was done through LAUSD and LACOE. These were partners with whom the Department of Public Health contracted.

Commissioner Kaufman commented that when the Healthy Kids Program was set up for the zero to five population, it was recognized that the six to 18 population was much larger and actually needier than the zero to five population. Around the State, Children's Health Initiatives (CHIs) were setup in counties to try to get money to cover the six to 18 population and then to lobby for coverage. This did not happen particularly for the target population and the amount of funding committed by organizations began to decline. The six to 18 numbers have also decreased which is one of the other reasons why the zero to five decreases, because families with multiple children do not see the benefit of getting coverage for one child rather than for all of their kids. Outreach for the six to 18 population continues; but it has been a disappointment in that it has not been possible to maintain the high need levels of the six to 18 year olds.

Commissioner Dennis if there was a sense of the potential number of children who are eligible and who have not gotten care. Furthermore, Commissioner Dennis asked if there were projections through June 2015. Ms. Bostwick responded that there was a wait list with over 5,000 children, six to 18, which cannot get into a program. There are different numbers that are out there on the number of undocumented kids that would be eligible for this program. If the funding that extends until 2015 overlaps with the 2014 Health Reform Act, families will be very confused. There will be more products to enroll kids in. It is projected that a big increase in enrollment into Medi-Cal will take place in 2014. For the Healthy Kids Program, there is an estimated 9,000 children, zero to five, who are uninsured in Los Angeles County and whose families need to be convinced about the importance of signing up for the program.

Commissioner Dennis asked if the 9,000 figure was a per year number or if it was a cumulative number. Ms. Bostwick responded that it was a cumulative number through 2015.

Commissioner Martinez asked for more information about the profile of the kids that did not get into Medi-Cal. Specifically, she asked if eligibility was based on current income conditions or on the reported prior year income taxes. Ms. Bostwick said that program eligibility was based on current income conditions. Those individuals who lose existing medical coverage due to changes in employment are referred as newly uninsured and are eligible for Medi-Cal.

Commissioner Martinez said this was tapping into a population the Commission normally does not see. She asked if the work was being with the Employment Development Department (EDD) to do recruitment. Ms. Bostwick commented that different types of strategies were being looked at for recruitment. There were a total of 15 subcontractors that work with the Department of Public Health, each working with low-income families. The education of these individuals was crucial.

Commissioner Martinez stated that this may be an interesting concept to promote in the Commission's communication because so much of the work deals with the hardest hit and disadvantaged populations. Many of the Commission's programs end up impacting the recently unemployed or the working poor. This is the kind of face that should be put in the Commission's work to be done. As the Commission moves forward, people need to understand that they or their neighbors need to be touched at some point.

Commissioner Yancey asked for clarification on the allocation. She asked if the allocation was an up to amount available to draw down because when she did the calculation, the end result was $7.5 million based on 1,800 to 1,900 kids per year. Staff confirmed that the allocation was up to a maximum amount. Whatever amount remained unspent in 2015 would remain in the Healthy Kids allocation for the next strategic plan.

Commissioner Yancey asked what portion of the allocation went to community-based agencies. Ms. Bostwick said that over 80 percent went to direct outreach and enrollment. There was another portion that was allocated to comprehensive training throughout Los Angeles County. Other components that also received funding was a data management system and DHS staffing used to monitor and audit agencies to ensure work was being done properly. Ms. Bostwick also mentioned that there was a lot of in-kind support that was provided by the Department of Public Health for other work that was done on this program.

Commissioner Dennis asked that if outreach was done in the community, the early childhood/childcare community, especially in those license-exempt providers who represent major immigrant communities in the County. Reaching out to the early childhood community could possibly impact the ability to get increased number of participants.

Chair Yaroslavsky thanked the speakers for the report. He commented that he started this program two terms ago and was surprised why the enrollment numbers are going down. Chair Yaroslavsky said that he wanted to learn more about this since it was a great program. He congratulated the staff and the Commission for their efforts in maintaining the program.

Public Comment:

Karen Lauterbach, Venice Family Clinic
Maria Peacock, Citrus Valley Health Partners

M/S (Neal Kaufman / Marv Southard)
WITH NO FURTHER DISCUSSION OR OBJECTION,
THE ITEM WAS UNANIMOUSLY APPROVED

9. Receive and File the Los Angeles Universal Preschool Sustainability Plan

Director Iida reported the item was an update on LAUP's performance against the last fiscal year's outcome targets and sustainability plan, which is a process milestone associated with Outcome #6 of LAUP's FY 2010-11 performance-based contract. Details of LAUP's performance against each of the outcome targets and revised targets for the current fiscal year were provided in Attachment A on page 126 of the meeting packet. A brief overview of LAUP's sustainability strategies was provided on pages 123 to 124 of the staff report. Revisions to the sustainability plan were provided in Attachment B on page 131.

Director Iida commented that Commissioners may recall that at the May Commission meeting of last year, LAUP and First 5 LA staff co-presented LAUP's sustainability plan which included three tiers of sustainability strategies and their financial outlook through 2016, at that time, with and without incorporating the sustainability strategies.

Director Iida introduced Dr. Celia Ayala, LAUP CEO, who provided an update on the LAUP sustainability plan including a financial outlook, the reallocation of positions on a long-term basis, public initiative planning, and membership status of the LAUP Board of Directors.

Commissioner Martinez commented that as one of the LAUP Commissioner Liaisons, there have been bumpy rides but everyone tries to get to a place where there is mutual agreement. For those things that cannot be agreed upon, they are referred to the Commission. She said there might be future issues that arise that might best be addressed at the Commission level.

Commissioner Martinez asked what had been found in the polling data that points to the ballot initiative of 2012 being approved by the voters. Dr. Ayala said that the proposed initiative focused on State-wide issues and without an investment in California schools, the State will be in a worse position in 2012. The initiative focus is pre-K through 12th grade, which is more comprehensive that the prior initiative; timing is also better in that everyone is concerned about schools.

Chair Yaroslavsky asked if the 2014 proposal was a county-wide proposal. Dr. Ayala responded in the affirmative. Chair Yaroslavsky asked what kind of county special revenue was being considered. Dr. Ayala responded there were two types of taxes being considered—sales tax and a parcel tax.

Chair Yaroslavsky asked if the polling information obtained by LAUP showed good support for this type of tax. Dr. Ayala affirmed that the information supported the tax. In the preliminary data obtained, a 65 percent approval rate was determined if it was attached to a K-12 measure as opposed to a 61 percent approval rate if it was only attached to early childhood education. Chair Yaroslavsky asked what percentage was needed for approval. Dr. Ayala responded that a 66 percent approval rate was needed.

Chair Yaroslavsky cautioned LAUP about getting too excited over these preliminary numbers. He said it was easier to get from zero to 61 percent but much harder to get from 61 to 66 percent. This was a huge mountain to climb and asked that LAUP get straightforward advice from the pollsters.

Commissioner Tilton commented that the State-wide initiative was an initiative for graduated income tax. Dr. Ayala concurred that it was an income tax initiative. She asked what was 10 percent of what someone would normally pay per child for preschool. In effect, Commission Tilton asked how many dollars would it take for somebody to put their child in preschool at 10 percent of the going rate. Dr. Ayala responded that at a five-star preschool, the reimbursement rate was $5,000 per year; at a three-start school, it was $3,600 per year. The cost paid by parents would range from $360 to $500 per year. Many of the parents cannot afford these costs, and in some cases, school districts are not in the business of collecting dollars. There are 33 school districts that participate in the LAUP program. The issue of encroaching on the general fund of a school district to provide support was unrealistic given that some of the school districts were even closing their own preschools because of the State funding reimbursement rate.

Commissioner Martinez commented the Liaisons felt there should be some kind of contribution because as a general rule, if a contribution is made, there is a greater stake in the project. Also, Power of Preschool (PoP) funding prohibited any type of costs to be passed onto the parents as a stipulation of funding. These programs would need to be free; otherwise the funding would be lost. Dr. Ayala stated that about 80 percent of LAUP preschool programs were eligible for PoP funding.

Vice Chair Fielding thanked Dr. Ayala for a very thoughtful report. He asked if LAUP was planning to use some of the $87.2 million to make things work between now and 2016 or not. Dr. Ayala responded in the affirmative. Vice Chair Fielding then asked what portion was going to be used and where was it shown. Dr. Ayala commented that LAUP was considering over $60 million right now. There were $23 million that were not going to be needed. The more funding that was brought in through PoP and other programs to fund the exact work that LAUP was doing, the less amount that would be utilized of the reallocated dollars from First LA. The remainder of these funds would be used for emergencies, environmental hazardous conditions, to add a site in the Best Start Communities, to serve more children in existing sites, or to extend the life beyond 2016 for the Commission's investment in preschool. LAUP was not going to entirely use all of the $87.2 million but LAUP did have a projection what it currently was estimating to need as of today.

Vice Chair Fielding said that going into 2016 or 2017, LAUP was operating at a rate of $55 million per year. He asked Director Hause how much revenue was projected for First 5 LA to receive from the State. Director Hause estimated that revenue projected for First 5 LA would be approximately $75 million in 2016.

Vice Chair Fielding stated that if LAUP was not successful with the proposed ballot initiative, the Commission would be faced with a very difficult decision as to how to use the remaining funds if LAUP anticipated a need of $55 million and First 5 LA was only projected to receive $75 million in funds. This meant that all the other good things that First 5 LA was doing would likely have to take a back seat to preschool. This would really hurt a lot of the important initiatives under way. Vice Chair Fielding commented that he believed the Commission was supportive of LAUP's efforts with respect to getting the initiative passed or finding alternative sources of funding. If not, the Commission would be in a very difficult place.

Commissioner Kaufman asked if money from Race To The Top came to LAUP, would this be in addition to the $55 million. Dr. Ayala said this was under negotiation. The dollars for Race To The Top were not to expand the number of services but it was to improve services. For example, if LAUP was to potentially charge some the of ECERS or class costs to Race To The Top, that would become a budget relief and it would add to the $25 million that could potentially come back to the Commission. Dr. Ayala also said that one of things that Race To The Top was looking at was expanding the quality. There were a lot of preschools that would love to participate in a program such as LAUP to improve their quality, become reviewed, and rated. If these were new sites, this would not take away from the dollars currently expending.

Commissioner Kaufman commented that the rating system had been changed. He asked if the principle was still the same. If someone reached the higher quality standard, they got reimbursed from LAUP at a higher rate per child. Dr. Ayala responded in the affirmative. Commissioner Kaufman further stated that he understood the correlation between ratings and reimbursement rates and asked if any unintended consequences of paying higher reimbursements rates to those preschools with high quality programs and not having enough funds to cover the costs of those preschools with lesser quality programs. Dr. Ayala said that preschools that were fully reimbursed at the higher rate were not getting money from anyone else. The children in these preschools would not be served if it were not for LAUP funding. There was another reimbursement rate for the enhancement component which was a very small portion. This reimbursement rate was to increase the quality. If this was taken way, it would not be a significant amount. The reimbursement rates were directly tied to the star rating system and ratings can vary from year to year. LAUP was raising its standards, creating higher thresholds for ratings.

Commissioner Kaufman asked if there were any funds from the current fiscal year that were not going to be used. Dr. Ayala responded that there were dollars that were not going to be used this year and those dollars would get rolled over. This data changes every year and as more dollars are obtained to do the work of LAUP, it will continue to change. These funds would be placed in a holding account for future reallocation to LAUP by the Commission.

Commissioner Yancey commented that her understanding of the intent of the October 13 motion was that funding would be placed into a single fund. She asked if there were going to be two separate funds or was everything consolidated into one fund.

Interim CEO Steele said that question could best be answered during the discussion part of the next agenda item.

RECEVIED AND FILED

10. Approve New Contract to Reallocate First 5 LA's Early Learning Endowment Fund of $87.2 Million to LAUP

Director Iida reported that the joint Liaisons for First 5 LA and LAUP and staff were seeking approval of provisions to reallocate First 5 LA's Early Learning Endowment Fund, herein called the sustainability fund, in the amount of $87.2 million to LAUP. The intent of the proposed provisions are threefold: (1) to maintain LAUP services at the current level through 2016; (2) to ensure no services will be reduced during this time period; and, (3) to encourage LAUP's long-term sustainability. The five provisions were described on pages 144 through 145 of the meeting packet. These provisions defined the terms and conditions by which the fund would be used and are products of First 5 LA and LAUP joint Liaisons and staff's work over the past two months following Board of Commissioners approval at the October 13, 2011 Commission Meeting to reallocate First 5 LA's funds to LAUP.

First 5 LA staff worked with LAUP to achieve agreement on each of the five provisions listed in the staff report, incorporating language from LAUP staff and Board members. Additional revisions were received as recently as last week, January 5, from the LAUP Board. First 5 LA Liaisons and staff also recommend one additional provision described on page 145 of the meeting packet. This provision has not been accepted by LAUP but First 5 LA's Liaisons and staff consider it important for this provision to be presented today for discussion and adoption. This provision would be a part of LAUP's annual budget presentation to the Commission and would require LAUP to provide First 5 LA, annually, a multi-year forecast anticipating the amount to draw from and showing the balance in the sustainability funds through

2016 based on continuing services at its current levels. As stated in the staff report, this projection would be revised on an annual basis. For example, as Dr. Ayala just reported, LAUP's current estimate is over $60 million to draw against the sustainability fund through 2016.

The Senior Program Officer (Aleece Kelly) assigned to this initiative and the consultant (Christina Altmayer) working with LAUP were present to answer questions from the Commissioners.

Commissioner Yancey raised her previous question regarding clarification of the funding allocation into separate or consolidated funds.

Ms. Altmayer commented that there would be a forecast provided annually by LAUP given that there are some changes and some unknowns about what would be the demand. There was no separate allocation of funding in the sense of how funds were distributed. The funds would be distributed following the current methodology that First 5 LA and LAUP have employed in the last several years. It was really to give some insight into the changing conditions as Dr. Ayala just reported given that there are some unknowns, one of which is how the First 5 California signature project will be allocated. Annually, as part of their budget, LAUP will provide a forecast of what is the demand of the sustainability funds through 2016 to sustain services.

Commissioner Yancey commented her understanding was that the early learning endowment would be a part of the master agreement.

Vice Chair Fielding commented that the Commission thought the most important way to have a good relationship with its primary contractor was to have a performance-based set of contractual terms. Some of those terms were mutually agreed upon and have not been met. He said he was interested in the consultant's perception if there had been a full effort on the part of LAUP to meet those obligations, particularly the Tier 2 issues.

Staff responded that there were two separate issues. One was the actual performance targets in the contract, in the performance matrix that is revised on an annual basis as part of contract negotiation with LAUP. Approval was typically sought from the Commission in May of each year. The previous staff report presented by Dr. Ayala on the sustainability plan also included an update on LAUP's performance in FY 2010-11. LAUP achieved all the targets with the exception of the fundraising target. The other aspects referenced by Vice Chair Fielding also related to Dr. Ayala's presentation on the sustainability plan and what was completed, in progress, or not to be completed. The contractual obligation was to develop a sustainability plan and return this month to the Commission to provide an update on that sustainability plan. There are aspects of the sustainability plan, including their fundraising targets and their cost containment targets that were included in this year's contract. As far as staff knows, these targets are on progress to be met. The other components of the plan were not contractually obligated except in the sense that they would have to be reported on as an update with Commission input.

Vice Chair Fielding commented that to the best of the Commission's knowledge, the requirements of the contract were being met and those in progress would be met. Dr. Ayala acknowledged Vice Chair Fielding's comments as correct.

Vice Chair Fielding commented that the fundraising issue was a critical issue and agreed that priority needed to be placed on fundraising. When looking at the amount that has been raised privately by LAUP, it was not outstanding whereas the money that had been obtained from public sources was really impressive. He hoped that there would be some enhanced effort over time to raise money privately, if nothing else, for the initiative.

Commissioner Boeckmann requested that a complete report be provided on what revenue had been taken in and what had gone out. She would like a clear picture of what was going on with LAUP. Commissioner Boeckmann stated this was her second request as she had made this same request at the Liaisons meeting and had yet to receive the information. She felt that at this point, she did not have a complete understanding of where all the money was going.

Chair Yaroslavsky stated that Commissioner Boeckmann's request should be considered direction for staff.

Commissioner Martinez asked for clarification on whether the issue was resolved regarding the disbursement of funding. She specifically asked if it would be done incrementally or all at once. In reading the staff report, she did not see this issue as being resolved and did not want to vote on the item without knowing what had been resolved. Ms. Altmayer stated that the recommendation, as written by staff, was that funds would be disbursed annually as part of the LAUP's budget; LAUP would submit their annual allocation and a five-year plan forecast of the demand for funding. There would be no change in how funds are currently disbursed. Funds are currently disbursed quarterly, in advance, based on the cash flow forecast. The disbursement would include all funds that LAUP needs to support its sustainability and continue the current service level.

M/S (Jonathan Fielding / Marv Southard)
WITH NO FURTHER DISCUSSION OR OBJECTION,
THE ITEM WAS UNANIMOUSLY APPROVED

11. Public Hearing Regarding Adoption of Revised Commission Policies and Guidelines

    a. GASB 54
    b. Formal Board Approval of Additions, Changes or Deletions to Allocations and/or the Annual Program Budget
    c. Modifications to the Commission's Annual Operating Budget
    d. Manual Compilations of Financial Information
    e. Appeals Policy
    f. Public Records Policy and Procedures

Interim CEO Steele reported that six separate policy amendments or policies were being brought forward for Commission consideration. Five of these policies were recommendations of the Harvey M. Rose audit report. Five of the policies have to do with formalizing and documenting decisions of the Commission related to budget and fiscal matters. Interim CEO Steele apologized in advance for the complication of the first policy as this was an issue that Commissioners have been struggling with at a couple of meetings. The GASB 54 policy takes a lot of explanation but it was extremely important for the ongoing audits. Items b, c and d were fairly straight forward and would move quickly.

Interim CEO Steele reported that Director Hause would present the first four policies and CAO Bosch will report on the last two policies. Assuming that all policies were agreeable to the Commission, one vote could then be taken to adopt all the policies at the end of the staff report.

- **GASB 54**

  Director Hause apologized for the amount of information being presented on this policy but it was important for staff to provide a clear picture on this pronouncement, as possible. Issued by the Governmental Accounting Standards Board in 2009, Statement 54 is required to be implemented by all governmental entities for an unqualified or clean opinion on the annual financial report. First 5 LA has maintained a clean audit opinion since its inception. The purpose of GASB 54 is to enhance the usefulness of fund balance information by providing more clearer fund balance classifications that can be consistently applied. Classifications comprise a hierarchy based on the level of constraint imposed on the use of resources or available funds. GASB 54 was not about the contracting process at First 5 LA. It was not about the authorization to spend specific funds and it was not a response to AB 99 nor was it a response to the audit conducted in 2011 by Harvey M. Rose Associates.

  The *non-spendable classification* classifies amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. An example of this would be the amounts advanced to LAUP in accordance with their contract.

  The *restricted classification* classifies the amounts that can be spent only for specific purposes stipulated by constitution, external resources, providers or through enabling legislation. First 5 LA may elect to restrict funds if a match is required by an external source. An example of this type of restriction would be the SRI Program that recently ended last June. This program was classified as restricted because First 5 LA had received funding from First 5 California for a portion of that program.

  The *committed classification* classifies the amounts that can be used only for specific purposes determined by a formal action by the Board of Commissioners—the organization's highest level of decision-making authority. Constraint is imposed internally via a formal action (i.e., resolution). The same type of formal action, a resolution, is required to modify or remove that constraint. An example of this type of classification comes later in the presentation.

> The *assigned classification* classifies amounts that are intended by the Commission to be used for specific purposes but do not meet the criteria to be classified as restricted or committed. Constraint is imposed internally but not requiring the same formal action used to restrict or commit funds. Once the formal action used to restrict or commit funds is defined, all other actions, for example, a motion conveying intent to use funds for a specific purpose can be used to assign funds. The same type of action is not necessary to modify or remove this constraint. An example of this type of classification will be provided later in the presentation.

Director Hause reported all remaining funds that have not been classified in accordance to the four classifications mentioned, would then fall under the assigned classification. Consideration for today's actions include that the Board of Commissioners did adopt a GASB 54 Policy in June 2011. Today, staff was asking for modifications. Actions used to constrain funds in the financial statements on June 30, 2011, for fund balance reporting purposes, was the strategic plan, independent Board actions or allocations that were made, and specific contracts. Funds were constrained at June 30, 2011; however, the hierarchy of constraint was not previously defined.

As part of the FY 2010, the independent auditors recommend that the Commission strengthen its existing policies and procedures related to GASB 54 or the fund balance classifications. Specific recommendations were outlined in the staff report and were discussed with the Ad Hoc Executive Committee, quite extensively, in November 2011.

Director Hause also reported that the Ad Hoc Executive Committee recommended that a resolution be required to restrict funds. A resolution should be required to commit funds. The Committee further recommended that no alternative body, committee or official should be granted the authority to assign funds. Further, the Ad Hoc Executive Committee did not recommend that the Commission undergo quarterly review of specifically committed or assigned amounts; however, the Commission is to undergo an annual reaffirmation process prior to fiscal year end to review all committed amounts. The Commission should review the levels of all fund balance classification prior to fiscal year end to determine what action is needed, if any, for the end of the fiscal year. Some examples of how the future actions should be taken going forward, if these recommendations are implemented include:

- If the Commission would like to restrict or commit funds, a resolution should be adopted.
- If the Commission intends to assign funds, any other action would be appropriate; mostly likely through a motion.

Staff would clearly lay out the recommendations and the reason for such recommendations in the staff report.

The approval of the 2009 Strategic Plan county-wide percentage range approved by motion would be considered assigned but a more narrow and specific direction for funding, for example, the Infant Safe Sleeping Initiative for $1.5 million is within this general percentage range and would be designated as committed. If the Board of Commissioners directs the staff to implement these recommendations, staff would return to the Board in February with a revised policy for approval.

Commissioner Martinez asked if GASB 54 constrained the Commission's ability to engage in strategic partnerships and leveraging opportunities. Director Hause stated absolutely not as this basically directed the Commission on how to report the available funds at June 30 on the financial statements.

Commissioner Martinez asked if GASB 54 was more of a reporting requirement. Director Hause concurred.

Commissioner Dennis commented that when the Commission engaged in AB 99 discussions, the Commission discussed the fund balance, specifically if the Commission wanted to have a certain percentage committed. He asked if in the discussions with the Executive Committee, was there any consideration as to where the Commission wanted to be at the end of the year concerning percentage of total budget going to the fund balance. He recalled this was one of the issues the Commission wanted to determine. Director Hause said there were no specific discussions about specific percentages but this was something that the Commission could certainly consider over the next few months. It would be important to ensure that the Commission took whatever actions over the next few months to ensure that there was a level of committed funds at June 30.

Vice Chair Fielding said that he spent a significant amount of time reviewing the information provided and has finally understood it. He stated that GASB 54 was written for accountants by accountants. Although it did not make sense, he felt the Commission should approve the staff recommendation.

Referencing Section C of the staff report on page 151 of the meeting packet, Commissioner Kaufman said that there were different commitments of funds. He asked if the Commission was planning to commit funds to the level of specificity in this section or would the committed funds be maintained at the broader level of just being committed. Director Hause stated, at this point, the commitment of funds would be kept at the general classification of committed.

Interim CEO Steele reported that there were different kinds of allocations. He would divide them into GASB allocations (things the auditors need to see and have reported to them), legal allocations (those that address the level of specificity within the committed category), and political allocations (that level of things where the Commission has understood it is going to spend money on but do not know where these things fit –the bucket process). The fact was that for GASB 54 purposes, the Commission was going to commit funds and the auditors are going to check that funds are committed; but this does not mean that this is all that is going to be reported to the Commission. There would be an additional level of reporting and the Commission would ask for different kinds of reports. The auditors are looking for a GASB 54 type of reporting.

Commissioner Kaufman commented that as the Commission went through AB 99, understanding the various levels of commitment was lacking. For administrative purposes, he wanted to know how the Commission would know what it had and what it had committed to.

Interim CEO Steele reported that part of the Harvey M. Rose audit recommendations and the subsequent staff work plan that has been developed was to come with a different system of reporting. Staff will be working with the new Budget & Finance Committee on this issue.

Director Hause said that for financial statement purposes, the Commission needed to make these classifications and staff needed to have detailed supporting documentation.

Commissioner Southard commented that although funds could be committed, they may not all necessarily be expended, especially in those entities that do a lot of contracting. Just because money is committed to a provider, this did not mean that it would be spent.

M/S (Marv Southard / Jonathan Fielding
WITH NO FURTHER DISCUSSION OR OBJECTION,
THE ITEM WAS UNANIMOUSLY APPROVED

(In accordance with policy, the Commission recessed to an instant recess activity break.)

Director Hause reported that staff was seeking approval of the policies and procedures in response to the Harvey M. Rose audit. The policies began on page 166 of the meeting packet and go through page 173, and she was available to answer any questions from Commissioners.

- **Formal Board Approval of Additions, Changes or Deletions to Allocations and/or the Annual Program Budget**
- **Modifications to the Commission's Annual Operating Budget**
- **Manual Compilations of Financial Information**

There were no questions raised. This concluded the presentation by Director Hause on the financial set of policies.

- **Appeals Policy**

  CAO Bosch reported that on page 173 of the meeting packet was a request for an approval of the revised Appeals Policy. The purpose of the policy was regarding appeals of specific decisions and to describe the rules for such appeals. Appeals should only be permitted on the grounds that the decision violated either applicable law, First 5 LA policy or procedures, or the terms of the bid, RFQ or RFP. Appeals challenging First 5 LA's decision on the merits or qualifications of bidders or proposers or the scoring of proposals shall not be permitted. This policy was not formally recommended by the Harvey M. Rose audit report. In the interest of more transparency and accountability, staff felt it was important that a formal appeals policy be in place.

Commissioner Yancey commented that she had an issue with this policy, especially because it was not a policy that was necessarily recommended by the Harvey M. Rose audit report. In her view, it seemed the policy was restrictive and very narrow as the only grounds for appeal was the violation of the applicable law. This did not seem to allow for challenges based on the scoring process. Regarding transparency, she asked if internal policies and procedures were in place that permitted throwing out of very high or very low scores. Commissioner Yancey expressed concern about not having a transparent process that was clear to the public. She stated that she was not comfortable with the policy.

Interim CEO Steele commented that staff was trying to differentiate between decisions where there was an actual mistake made, in which case someone should come forward and say that procedures were not followed and there should be a re-assessment versus those decisions where somebody disagrees with the opinion of the reviewers. There is an independent review process through most of the grant-making and contracting processes to preserve fairness and anonymity and to make sure there is no bias. In this process, if somebody does not get awarded a score that qualifies the proposal for the next step, technical assistance can be provided by staff to better improve future submissions. This is not necessarily an appeal as the decision would not be changed but staff is trying to be transparent by reviewing the process with the applicant. The Appeals Policy is intended for those situations where there are procedural violations.

Commissioner Yancey stated she understood; but having been on expert panels, herself, for over 20 years, sometimes there are considerable differences of opinion between reviewers that are not really explained by the science itself. If the process was clear and there was a mechanism for throwing out disparate scoring, she was not aware of it and felt uncomfortable with restricting appeals in case there was something inherently unfair and not just based on errors.

CAO Bosch said that First 5 LA had a very elaborate protocol for how a person becomes a grantee or contractor. The protocol included review tools and detailed processes.

Interim CEO Steele suggested presenting this framework at the next meeting when the contracting policies are brought forward for consideration by the Commission. This framework would be provided to the Commission to see if it addresses Commissioner concerns.

Commissioner Yancey asked if the approval of the Appeals Policy could be continued. Chair Yaroslavsky stated that the Commission could always build upon the policy. He felt the Commission did not want to not approve the policy. Chair Yaroslavsky said that he was hearing Commissioner Yancey's concern and did agree, for the most, with her. He said that for the sake of today, approving the policy as presented did not preclude the Commission from addressing the issue brought up by Commissioner Yancey. Chair Yaroslavsky asked Interim CEO Steele when the contracting policies would be brought to the Commission. Interim CEO Steele stated that it would be at the next meeting. Chair Yaroslavsky suggested approving the policies, as presented, and then dealing with Commissioner Yancey's concern at the next meeting. He promised Commissioner Yancey that he would drive the incentive to address her concern and that it would not go unaddressed since he shared her concern as well. Interim CEO Steele stated that staff recognized the concern.

Commissioner Southard stated that the actual processes that are in place will deal with issues being raised. The overall process was pretty detailed. He stated that once Commissioner Yancey reviewed the entire process, she would ultimately be reassured.

- **Public Records Policy and Procedures**

CAO Bosch reported that on page 174 of the meeting packet, approval was being sought of the revised Public Records Policy and Procedures. The proposed amendments addressed the Harvey M. Rose Associates Phase II audit findings related to retention of First 5 LA documents. There are three specific areas of change that should be noted.

1) Harvey M. Rose Associates recommended the Commission retain all documents for two years after the termination date of the agreement. Staff is recommending that all documents be retained for three years from the termination of the initiative or agreement or the final audit.
2) The materials recommended for inclusion by Harvey M. Rose Associates.
3) The location of all documents to be retained has been centralized.

First 5 LA has consistently complied with the Records Retention Policy as written and adheres to the timelines and procedures specified. Nonetheless, staff recognizes that if the independent auditors did not find what they expected to see, this is a problem that must be addressed. It is staff's expectation that this revised policy will help to ensure that the Commission remains in compliance with all legal requirements and that the concerns raised by Harvey M. Rose Associates are addressed.

Commissioner Yancey commented that her understanding for extending retention of records for three years was as a result of difficulties encountered in finding some of the records in the audit process that were supposed to be retained for two years. She was wondering if extending record retention to three years was to address a different problem that was an improvement on how records are maintained.

CAO Bosch reported that the system had been setup in such a way in which each department retained their own documents. There was a miscommunication between the auditors and staff with respect to those documents that were held in other departments. The issue was more of a decentralized process of document retention. The documents did exist and there is also a documented process for destruction of files.

Commissioner Yancey asked if it was sufficient to have electronic documents rather than paper. CAO Bosch said the Commission had an electronic content management system but was now centralizing documents in one location rather than at each department.

Chair Yaroslavsky said that although he did not suggest a retention period of three years, it does make sense because this agency has a lot of multi-year contracts and it is a good idea to have as much overlap in information as possible. He said that if it turns out to be cumbersome, the Commission could modify the policy in the future. Chair Yaroslavsky said it was best to be safe at the outset than to be sorry.

Interim CEO Steele reported that the paper part of the retention arises out of some confusion at the State-level attempt to standardized across California the system that is acceptable for electronic records retention. The Secretary of State for the past two or three years has been promising to release a standard system or systems that are acceptable for public agencies to keep all electronic files. This keeps getting pushed out. Until this happens, the Commission cannot go completely paperless because there is not an approved system yet.

M/S (Marv Southard / Jonathan Fielding
WITH NO FURTHER DISCUSSION OR OBJECTION,
THE ITEM WAS UNANIMOUSLY APPROVED

12. UPDATE: Program & Planning Committee

Commissioner Kaufman commented that the summary minutes from the past Program & Planning Committee Meeting were included in the meeting packet. Commissioner Kaufman reviewed the draft agenda for the upcoming Program & Planning Committee on page 197 of the meeting packet.

Commissioner Kaufman said that one of the issues that the committee will be addressing was the appointment of Liaisons to the Best Start Communities. He mentioned the Commission needed to have a discussion on the role of Liaisons given the new committee structure of the Commission. His recommendation was that it made sense to have Liaisons appointed to the Best Start Communities. These Liaisons would be appointed by the Commission Chair but the Program & Planning Committee could be asked to come up with a recommendation on what should be the roles of Liaisons. Finally, Commissioner Kaufman commented that the proposed Accountability and Learning Framework would be placed on the agenda as an information item at the February Commission and also suggested that it be referred to the February meeting of the Program & Planning Committee for more discussion prior to formal action being taken by the Commission in March.

Chair Yaroslavsky asked for clarification on the suggestion being made by Commissioner Kaufman. Commissioner Kaufman detailed the process that he was suggesting for the proposed Accountability and Learning Framework: (1) information presentation at the February Commission Meeting; (2) further discussion at the February Program & Planning Committee Meeting; (3) Commission approval at the March Commission Meeting.

Commissioner Kaufman announced that he was not going to attend the February Commission Meeting as he would be traveling.

Commissioner Tilton asked that the minutes of the Program & Planning Committee be corrected to reflect her attendance at the meeting.

Commissioner Dennis commented that the governor just released his budget and he asked that some sort of impact analysis on the zero to five population be done on what will be the implications on those children being served by the Commission and what could be the role of First 5 LA in looking at the impact of the governor's budget.

13. Public Comment for Items Not on the Agenda

Liz Guerra, Family Literacy Support Network

ADJOURNMENT:

With the conclusion of the agenda, Chair Yaroslavsky asked for a motion to adjourn.

M/S (Alma Martinez / Jonathan Fielding)
WITH NO FURTHER DISCUSSION OR OBJECTION,
THE COMMISSION UNANIMOUSLY VOTED TO ADJOURN THE MEETING

The Commission adjourned at 4:07 pm.

NEXT MEETING:

The next regularly scheduled Commission meeting will be on:

February 9, 2012 at 1:30 pm
First 5 LA
Multi-Purpose Room
750 N. Alameda Street
Los Angeles, CA 90012

Meeting minutes were recorded by Maria Romero, Secretary to the Board of Commissioners.