

SUMMARY MEETING NOTES

FIRST 5 LA

APPROVED 1/15/2014

SUMMARY MEETING NOTES  
Executive Committee Meeting  
November 4, 2013

**COMMITTEE MEMBERS PRESENT:**

Neal Kaufman (Chair)  
Duane Dennis (Vice-Chair)  
Supervisor Mark Ridley-Thomas

**COMMITTEE MEMBERS ABSENT:**

Sandra Figueroa-Villa [EXCUSED]

**LEGAL COUNSEL:**

Craig Steele

**STAFF PRESENT:**

Kim Belshé, Executive Director  
Genie Chough, Finance Director  
Raoul Ortega, Finance Manager  
Maggie Martinez, Director of Human Resources  
Linda Vo, Executive Assistant  
John Wagner, Chief Operating Officer

**EXTERNAL PRESENTERS**

Ron Keimach, Principal, Hay Group  
Leah Springer, Associate Consultant, Hay Group

**RECORDING SECRETARY:**

Linda Vo, Executive Assistant

**1. Call to Order/Roll Call**

The meeting was called to order by Committee Chair Kaufman at 10:05 am. Commissioner Kaufman welcomed everyone in attendance. Roll call is completed.

**2. Review of Executive Committee Meeting Notes – September 5, 2013**

**THE ITEM WAS RECEIVED AND FILED**

**3. Standing Updates**

These standing Updates include:

1. Review of Annual Operating Budget
2. Annual Audit
3. Review of Annual Report to the State Commission
4. **Fiscal: FY14-15 Budget Development**
5. Contract Compliance
6. Quality Assurance
7. Evaluation
8. Policy and Advocacy
9. **Personnel and Compensation: Compensation Study Presentation**

Committee Chair Kaufman proceeds with asking that staff begin the Compensation Study Presentation.

**Personnel and Compensation: Compensation Study Presentation**

Mr. Wagner begins by informing the Executive Committee that what prompted the

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compensation study to take place is last year the Board authorized First 5 LA to undertake a compensation study analysis. Solicitation was then initiated and Hay group was selected.

Mr. Wagner indicates that First 5 LA selected Hay Group for three specific reasons:

1. Proposal presented displayed a very robust methodology of how to look at internal compensation and benefits package and how to relate it to external entities
2. Their communication strategy was impressive, in that they made sure they were engaging staff/leadership team during the entire study/analysis, including Board members
3. Their ability to not just come up with recommendations, but to help in implementing the recommendations.

Since Hay Group started their process, there have been a number of things already Completed:

1. They have already completed some of their interviews with the Senior Management team
2. Met with the Executive Team
3. Gave a presentation to the Budget and Finance Committee
4. And now today, meeting with the Executive Committee, to give their presentation

Mr. Wagner now hands over the presentation to Mr. Keimach.

Mr. Keimach gives the Executive Committee a brief background on Hay Group. He states that Hay Group provides a full range of Human Resources consulting services to the Public and Private Sectors. Notable public sector clients include Monterey Bay Aquarium, California Academy of Sciences, State of California, Orange County, and California ISO. He proudly informs the Committee that Hay Group is the world leader in job evaluation and market analysis. He says his firm understands work and reward. He says that their plan is to partner with First 5 LA to provide results that are timely, cost-effective, and add value and produce recommendations that are implementable.

Mr. Keimach emphasizes that Hay Group's total reward framework seeks to balance the needs of the company with the needs of the employee. He also goes on to inform the Committee that Hay Group's job is not to evaluate performance during this compensation study. Hay Group's specialty is in understanding jobs and their design and current structure.

In addition, Mr. Keimach states that there is a particular order to an effective classification and compensation plan – that is, the work must be classified (described), evaluated (measured), priced (valued), and can finally be delivered (via performance recognition). In order for the plan to be effective work must be thought of in this order – that is, it is not as valuable to price jobs against the market without having an idea of job size and scope.

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Before handing over the presentation to Ms. Springer, Mr. Keimach informs that Committee that they have also already presented their methodology to all Staff at a meeting held recently.

Ms. Springer begins her presentation by saying that one of Hay Group's objectives will be to identify benchmarks among First 5 LA's 57 unique jobs to analyze internal and external alignment. From there, Ms. Springer indicates that they will develop fair compensation levels based on First 5 LA's reward philosophy and desired market position. We will also conduct a benefits prevalence analysis, comparing First 5 LA's current package to the market for the various components of benefits offered.

She informs the Committee that Hay Group will complete an FLSA study to ensure accurate, consistent classification based on job content and duties; Provide recommendations to update and administer the classification and compensation plan including training in the use of any new aspects of the overall program; Build internal capability to manage the plan on an ongoing basis through the training and participation of First 5 LA's human resources team; and ensure a high degree of acceptance of the project process and results through participative partnership and regular communication.

Hay Group will construct an external market for comparison by using a combination of its survey data, other First 5 organizations, and additional comparators as defined by Hay Group and First 5 LA. All compensation survey data will be updated to a common effective date, and adjusted by a geographic differential to reflect cost of labor in the Greater Los Angeles Area. In addition, Ms. Springer explains that Hay Group will use organizational charts, job descriptions, and current compensation data, and will supplement job documentation with 1:1 interviews with the project team and leadership. They will also obtain details of First 5 LA's current benefits offerings, including summary plan descriptions and plan documents.

As part of the implantation process, results of the study will include and understanding of where First 5 LA is positioned in relation to the external market for both compensation and benefits; an identification of similarities and differences in First 5 LA's benefits plan offerings vs. the market, and a recommended grade and salary structure.

Mr. Keimach says that Hay Group will also help determine where an individual places in the new salary structure. It will map out, with First 5 LA, an implementation plan and timetable to enable the adopted recommendations to be communicated to employees and implemented. Included in this step will be guidelines for plan administration and keeping the plan current and flexible to meet your changing business needs and the process by which employees will be communicated the results, both collectively and individually.

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Ms. Springer concludes her presentation by informing the Committee that she and her colleague, Mr. Keimach, plan on holding office hours with staff to ensure that any questions that were left unanswered from their all staff presentation, would be addressed in the afternoon.

Mr. Keimach asks the Committee for input on the methodology that was just presented. In regards to timeline, Ms. Springer informs the Committee that Hay Group plans on coming back to the full Commission in February to give this presentation and receive input.

Committee Chair Kaufman asks if staff had any questions regarding Hay group's presentation.

Ms. Martinez informs Committee Chair Kaufman that staff were interested in finding out how Hay group would distinguish a position like Program Officer from another Program Officer position at First 5 LA, since staff believe that his/her position is unique in the duties and responsibilities. In addition, Maggie informs the Committee that staff wanted to know how Hay group would use its methodology in differentiating these positions from one another in doing their compensation study. Another concern staff had was that the compensation study would be looking at individual requirements/performance for each position and ultimately this would somehow result in positions being cut.

Commissioner Dennis says that though he understands the value proposition from Hay Group to First 5 LA, he would like to know, with regards to strategy, whether or not the current positions align to our strategic plan and direction. He wants to know if the current positions we have right now, are the most appropriate in carrying out our strategic plan, which is something that he doesn't feel this study captures. For example, the Program officer position, a term that a lot of organizations use, Commissioner Dennis would like to know if this is an appropriate title for these positions, given the duties that the position would be responsible for.

Committee Chair Kaufman says that he understands that Hay Group's role in the compensation study is to look at jobs, and not performance issues. However, in the next step, as part of First 5 LA's strategic direction, Committee Chair Kaufman would like to know how it would be executed, since strategies always evolve.

Commissioner Dennis would like for there to be a gap analysis done as part of this compensation study within the positions and current strategic plan. For example, First 5 LA knows that in the next strategic plan it will be engaging in a lot of place-based activities, and so First 5 LA should be able to plan accordingly with the staff that it would need in order to execute the strategic plan successfully. Commissioner Dennis would like to know how the compensation study will prepare First 5 LA for this.

Committee Chair Kaufman indicates that there is only enough time to go over the timeline of Hay Group's deliverables and market analysis before proceeding with the conversation.

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Committee Chair Kaufman would like to know when Hay Group plans to present to the full Commission its findings, as well as to the Executive Committee meeting in the coming year of 2014.

Mr. Keimach informs the Committee that the Hay Group will be ready to present to the full Commission on the following findings: internal leveling of all 57 positions and a defined comparative market. Given this, Committee Chair Kaufman would like to know if it would be a good idea to present to staff first, before presenting to the full Commission, since staff will hear all the nuances of their positions (good and bad), etc.

Committee Chair Kaufman suggests that Hay group present information on its defined comparative market in January to the full Commission, in addition to the leveling of positions. Mr. Keimach adds that Hay Group would also be prepared to present a benefits analysis to the full Commission in January.

Commissioner Dennis still would like to have more information on where First 5 LA is at with its positions and current alignment to the Strategic plan. Ms. Belshé acknowledges that she understands Commissioner Dennis' concern/question and that Hay Group will be able to have an answer for this by March, 2014.

Committee member Kaufman asks Ms. Martinez if she has any data on where employees have gone, after they leave First 5 LA, and why they leave, as well as where employees have come from when they are hired by First 5 LA.

Ms. Martinez responds by telling the Committee that most employees are lost to the County, and adds how difficult it is to recruit from the County, given the benefits package that is offered there. However, she does inform the Committee that First 5 LA doesn't always lose employees to just the County. First 5 LA has also lost employees as a result of the employee being offered a position that has a higher pay and/or bigger title.

Committee Chair Kaufman says that there was compensation study initiated back in 2007, and there was difficulty in establishing the type of market First 5 LA belonged to.

Supervisor Ridley-Thomas would like to know what was the objective with doing the compensation study back in 2007, and what it is today in order to achieve the results that First 5 LA is hoping for in order to be a high performing organization. He would also like to know why First 5 LA is conducting the study today.

Ms. Belshé responds by saying that some of main reasons why there is a compensation study being conducted today is because there hadn't been one completed in over 10 years, in addition to the Harvey Rose Audit calling it out as something that First 5 needed to do, since one had not been completed in some time. And this study was placed on hold until the new leadership came aboard, which is why she and Mr. Wagner made it one of their first priorities when they both came aboard.

Supervisor Ridley-Thomas says that he understands and appreciates staff's due diligence in getting the compensation study process going, but still does not understand what the findings were from the last study and how staff has used them to help them in the current process.

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Mr. Wagner says that he does have the information the Supervisor is requesting, and informs him that staff will share it with Hay Group, so that it can serve as a point of reference for the current study being conducted.

Committee Chair Kaufman does inform the committee that there was a feeling of distrust the last time the compensation study was conducted.

The Supervisor says things like these are important for Hay Group to understand so that the same mistakes are not repeated.

Staff notes the Supervisor's concerns and says that they will consider his suggestions because they are important.

### **Fiscal: FY14-15 Budget Development**

Ms. Chough gives a quick verbal update on the Budget Development process for FY14-15. She informs the Committee that this update has already been presented to the Budget and Finance committee back in September. The issues at hand are the following: Having a biennial versus annual budget and adopting the budget in June, versus April.

She states that while there are many benefits of a biennial budget, refinements—both small and large—to the annual budget may be necessary prior to moving to a two-year budget. The main reasons are listed below:

1. Strategic Plan Alignment: FY 2014-15 is the last year under the current Strategic Plan. With a new Strategic Plan on the horizon, it may not be ideal to implement a two-year budget for FY 2014-15, with a rollover budget for the first year of the new Strategic Plan in FY 2015-16.
2. Additional time and experience: Each year since the first program budget in FY 2011-12, significant changes have been made to the budget development process. With only three years of program budget experience and a new Finance Director on staff, there is still a need to make additional refinements. Given the time required to implement any changes, adoption of a budget in April may not be feasible.
3. Other organizational and restructuring efforts may inform additional changes: Through the Organizational Transition Team, work to implement Listening, Learning and Leading findings is currently underway. In addition, we continue to make progress on updating policies and procedures and on the Government Finance Officers' Association process improvement project. Finally, we expect the findings of the compensation and benefits study to be available for Board consideration early in 2014. These efforts may inform future budget development.

Ms. Chough informs the Committee that she plans on presenting this recommendation to the full Commission in November and they staff has included a copy of the timeline that the Finance department will be following in carrying out the recommendation.

Committee Chair Kaufman says that it makes sense for First 5 LA to wait until the next strategic plan to adopt a biennial budget. He also says that it is not a big deal for him to adopt the budget in June, versus April. His only concerns are on those programs that

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are to sunset in July, and the notification process that takes place in order to give organizations sufficient time to prepare.

The Committee is informed that staff does go through a process of notifying organizations of when programs are set to end. The process is as follows: Notification is done 90-60-30 days prior to sunset date.

There is no further discussion on this item.

#### 4. Proposed Bylaws Amendments

Mr. Steele goes over the changes that he was asked to make on the proposed amendments from the last Executive Committee meeting. He was asked to add the following (Changes are highlighted):

Under the Article X, Section II. Committee Structure/Authority

Executive Committee:

To add: In addition, the Executive Committee shall draft the annual evaluation of the Executive Director for consideration and action by the full Commission, supervise any Commission self-assessment process initiated by the full-Commission and perform any other function delegated to it by the full Commission **or the Chair.**

Budget and Finance Committee:

To add: 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. **The Budget and Finance Committee shall not make binding decisions that are decisions of the Commission under applicable law and shall periodically report its activities to the full Commission.** Minutes of the Budget and Finance Committee meetings shall be kept and distributed to all members of the Commission.

The above addition is the same language that is used in the Executive Committee section of the bylaws, as requested by the Executive Committee.

Committee Chair Kaufman asks Mr. Steele whether or not First 5 LA has given enough notice regarding the proposed amendments to the bylaws in order for the item to be discussed at the upcoming November Commission and for vote to take place.

Mr. Steele confirms that First 5 LA has already given sufficient notice to the Commissioners.

Commissioner Dennis had a question of one of the proposed amendments. He would like clarification on the following:

Article VII, Section IV D

Change is in strikethrough:

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~~The Chair shall approve in advance~~ All travel on Commission business by Commission members, ex-officio representatives and any expenses ~~Commission staff~~, for which they may seek reimbursement shall be brought to the attention of the Chair by the Executive Director, and shall be subject to approval by the Executive Director. The Chair, or his or her designee, shall review and approve all requests for reimbursement of expenses by the Executive Director., ~~or may delegate such approval to the Executive Director.~~

He notes that the change Mr. Steele is recommending is drastically different from what is currently in the bylaws.

Mr. Steele reminds Commissioner Dennis that this change resulted from a request that Supervisor Ridley-Thomas had so proceeded with proposing this amendment.

There is no further discussion on the item and the meeting proceeds to the last item on the agenda.

### 5. Policy Update

Mr. Wagner gives an update on the current revisions that he and his team are working on in revising First5 LA's policies and procedures.

Proposed changes/deletions are in strikethrough.

Section 5-

#### 1. PROCEDURES

Unless a specific exception to this policy applies, the Commission shall procure goods and services with a value in excess of \$5,000 from the lowest responsible bidder after the issuance of Requests for Proposal ("RFP"), written solicitation, or other method deemed appropriate for a formal bidding process. Purchases or procurements shall not be divided into smaller units to avoid the requirements of this policy. RFP's or other method for bidding shall be written to include the scope of work, specifications and terms of the proposed purchase or contract. Each RFP or other appropriate method shall provide sufficient details to assist prospective bidders in calculating an accurate, unconditioned and stable bid. Each RFP or other method used shall provide explicitly that the Commission reserves the right to reject all bids and re-advertise for bids, and that failure to comply with bid specification shall be grounds for disqualification of bids. Each bidder or proposer shall be required to honor the price and specifications quoted for a minimum of sixty (60) calendar days following submission of the bid. The Executive Office or Commission may waive any irregularity in bids. The Executive Director and user Department Director shall approve all RFP's or other method used prior to issuance.

5.1 ~~Purchase Requests (PR) are required prior to all purchases or service agreements regardless of the dollar amount. The PR should be properly completed, executed and delivered to the finance department. Proper supporting documentation must be included such as invoices and receipts.~~

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~~The department incurring the expense shall initiate, complete and execute the PR.~~

- 5.2** Purchases or services over \$5,000 dollars require the solicitation of at least three (3) actual bids or other proposals from qualified prospective bidders and receipt by the Commission of responsive bids (fewer than 3 received is acceptable) prior to the procurement of the goods or services. The sole exception is when single-source or two-source procurement is justified as provided below or there are less than three (3) qualified suppliers available. Each such exception shall be documented in writing for the approval of the Executive Director prior to the formal procurement.

**Exceptions are as follows:**

The competitive bid requirement of this policy shall not apply under the following circumstances:

- a. The supplies, equipment or services to be procured are unique because of their quality, durability, availability or fitness for a particular use;
  - b. Such supplies, equipment or services are available from only one source;
  - c. The Executive Director has determined in writing that exigent or emergency circumstances require the immediate purchase of specific supplies, services or equipment, which determination shall be immediately transmitted to the Commission and maintained in the Commission's files;
  - d. Personal services contracts of less than \$25,000 annually in the aggregate to any one service provider.
  - e. Personal services contracts of \$25,000 or more annually in the aggregate if the Executive Director issues a written finding prior to the award of contract that the proposed contractor is so uniquely qualified for the particular project that competitive bidding would not be in the best interests of the Commission. Such findings should be infrequently made and shall be transmitted to the Commission.
- 5.3** Justification for using other than the competitive bid solicitation process, or the selection of other than the lowest competitive bidder, for every procurement over \$5,000 shall be approved in writing by the Executive Director and maintained in the project file.

The Commission's policy against Conflict of Interest apply to all RFP's or other methods used and proposals.

- 5.4** The Commission shall solicit bids or proposals through a broad array of communication media, designated to attract a range of competitive bidders. At a minimum, each RFP or other solicitation shall be posted on the Commission's website for a minimum of 10 business days and transmitted to identified potential bidders.

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- 5.5 ~~If two (2) or more bids received are for the same total amount or unit price, the Commission may accept any one of such bids or may accept the lowest bid made by negotiation with the bidders after bid opening.~~
- 5.6 ~~The Executive Director shall approve selection of a bid that is not the lowest qualified supplier or lowest cost of goods supplier from the minimum three bid process.~~
- 5.7 ~~Emergency purchases or services for any reason shall be approved by the Director of the user department and a PR completed, executed and delivered to the finance department by the next business day (within 24 hours) of the time the costs were incurred.~~
- 5.8 Each RFP or other method issued by the Commission shall contain a sample of the Commission's standard applicable contract for goods or services, with a statement notifying the bidder that the selected bidder shall be expected to execute the contract without substantive alteration.
- a. ~~Purchases of goods or services less than \$5,000 may be accomplished through a vendor invoice, purchase agreement or other standard form.~~
- 5.9 All Commission contracts to vendors or contractors for \$25,000 or more in the aggregate in any fiscal years shall be presented to the Commission on a consent calendar for approval prior to execution on behalf of the Commission. The Executive Director may approve any contract less than \$25,000 in the aggregate in a fiscal year.
- 5.10 ~~All Commission contracts shall require that contractors submit scopes of work, budgets, and corresponding monthly invoices or quarterly reports that specify the units and/or unit costs of goods and/or specific services provided during the contract term. Commission staff shall not approve any budget or invoice that does not comply with this requirement. Each invoice submitted shall clearly and consistently specify the initiative, program or internal department associated with that invoice.~~
- 5.11 Pursuant to Public Contracts Code Section 3410, when purchasing food, the Commission shall give preference to United States-grown produce and United States processed foods when there is a choice and when it is economically feasible to do so, at the discretion of the Executive Director or his/her designee.
- 5.12 The Commission shall purchase recycled products whenever recycled products are available at the same or lesser price, and shall require contractors to comply with Public Contracts Code Sections 22150-22154 regarding the use and reporting of post-consumer materials.

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In summary, the main proposed changes are for the following thresholds within the procurement policy:

1. Need for competitive Bids: changing threshold from \$5,000 to \$25,000
2. Need to bring contracts to Board on consent: changing threshold from \$25,000 to \$100,000

Mr. Wagner completes his presentation and opens the floor for discussion.

Committee Chair Kaufman would like clarification on whether or not the new proposed amount of \$100,000 is per contract year or total contract.

Mr. Wagner responds by saying that the \$100,000 amount is per contract year.

Committee Chair Kaufman says that staff needs to include the term “per contract year” in the proposed language to provide further clarity to the Commission.

Mr. Wagner agrees and notes the recommendation.

Supervisor Ridley-Thomas is concerned with the drastic jump in the proposed amount from \$25,000 to \$100,000 for the need to bring contracts to Board on consent. He would like to know how many contracts fall within the \$25,000-\$100,000 range. He would like to know why the big leap instead of just doubling to \$50,000.

Mr. Wagner informs the Commission that the way the \$100,000 amount was derived at was using the following methodology, though Mr. Wagner notes that this methodology is not a science:

1. Less than 1/3 of contracts are at the \$99,999 threshold. So the vast majority of contracts would continue to come to the Board on consent.
2. First 5 LA's annual operating is drastically larger than most other First 5's, where threshold to bring contracts to the Board on consent are higher than First 5 LA's. ie. First 5 Santa Barbara, with an annual operating budget much lower than First 5 LA, has a threshold of \$250,000 for bringing contracts to the Board on consent.

The Supervisor still has concern over the drastic jump from \$25,000 to \$100,000.

Ms. Belshé responds by saying that although the leap seems big, it is because the starting point is really low to begin with.

The Supervisor informs staff that he would like to see the breakdown for the percentage of contracts that fall in between the \$25,000 to \$50,000 threshold, \$50,000 to \$75,000 threshold, and \$75,000 to \$100,000 threshold, before deciding on what amount should be presented to the full Commission for approval.

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The Committee decides that staff can go back and gather the requested information in order to present it first to the Executive Committee, before going before the full Commission for action.

There is no further discussion on this item.

### **ADJOURNMENT:**

The open session was adjourned at 11:48 am.

### **NEXT MEETING:**

The next regularly scheduled meeting will be taking place as follows.

Wednesday, January 15, 2014  
3:00 pm – 5:00 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.