COMMITTEE MEMBERS PRESENT:
Philip Browning [Chair]
Suzanne Bostwick [Alternate]
Sandra Figueroa-Villa [Vice-Chair]

STAFF PRESENT:
Kim Belshé, Executive Director
Genie Chough, Finance Director
Alison Mendes, Economic Analyst
Raoul Ortega, Finance Manager
Linda Vo, Executive Assistant
John Wagner, Chief Operating Officer

COMMITTEE MEMBERS ABSENT:
Jonathan Fielding [Excused]
Jane Boeckmann [Excused]

1. Call to Order/Roll Call
The meeting was called to order by Chair Browning. Roll call completed.

THE ITEM WAS RECEIVED AND FILED

3. First 5 LA Proposed Governance Guidelines
Ms. Belshé goes over the draft governance guidelines that were presented to the full Commission on Monday, January 13.

She begins with her first item under the Governance categories.

1. Sequencing of action items. Any agenda items requiring Commission action will be considered first as an informational item at a full Commission meeting. Staff presentations will be provided and public comment received in one meeting, with public comment and action taken at a subsequent Commission meeting. When appropriate, the item may be referred to the relevant committee for further discussion prior to being brought to full the Commission for action.

Ms. Belshé says that the purpose of this item is to avoid the Board from hearing the same presentation multiple times under the Commission context. Staff wants to enable the Board to hear an issue, whether it be a motion or not, that would allow staff to give a presentation and get feedback, before presenting back to the Board for action.

She states that, though, some issues are straightforward, others require further discussion and would be delegated to the appropriate Committee, and then brought back to the Commission for action.

Commissioner Bostwick says that the sequencing of items makes sense for a presentation to be done first to the full Commission before action can be taken on the item.
Ms. Belshé says that if an issue comes up, and there has been a staff presentation, then there is no need for it to come to the Commission a second time as an information item.

Commissioner Figueroa-Villa would like to know what the roles of Committees are, such as for the Budget and Finance Committee. She states that it doesn’t appear that the Committees make any recommendations to the full Commission. She feels that anything that is presented by the Committee is the same thing that has already been presented to the full Commission.

Committee Chair Browning responds by stating that the role of the Committees will possibly change given the new way Supervisor Knabe would like items to appear on consent calendar for action. For instance, he reminds the Committee of how discussions on substantive issues would be discussed in the appropriate committees where they would be resolved before being brought back to the full Commission for action. That way, there is less time spent trying to address any issues during Commission, thus allowing each Committee to have a more active and important role in the decision making process of making recommendations to the full Commission.

Commissioner Figueroa-Villa says that she likes the idea that Committee Chair Browning just stated. She feels that there are so many hours spent discussing a particular item in these Committee meetings but that none of the issues that arise from these Committee discussions end up getting presented to the full Commission. As a result, she feels that the Committees have “no power”.

Ms. Belshé says that this is not the case at all. She reminds the Committee that Commissioner Southard, who was last year’s Budget and Finance Chair, just announced at the last Commission meeting what recommendations/statements were discussed at the last Budget and Finance Committee before stepping down as Committee Chair.

Nonetheless, Ms. Belshé does agree that Committee Chairs should have a more active role in giving their take on items, based on discussions from Committee meetings. She says that staff will think about what is considered to be a substantive issue versus a non-substantive issue to determine what should go on consent and what should go under the regular Commission items, thus allowing Commissioners to have a robust discussion on these items within the appropriate Committees.

Ms. Belshé now goes on to the next item on the draft governance guidelines.

2. **Staff presentations.** Staff presentations on Commission agenda items will precede public comment.

There are no questions on this item.

3. **Long-term financial forecast.** At least annually, the Board will review and adopt the next five-year financial projection that represents estimated 5-year trends of expenditures and revenues.

Ms. Belshé recommends that this would not just be a file and receive item. Staff would like the Commission to formally acknowledge that the document has been read and understood that there is a 5-year window that would inform decision making.

Committee Chair Browning says that this is a reasonable expectation and that it should be a regular Commission item for discussion at the next Commission meeting.

4. **“Paygo”.** Board decisions that have a fiscal impact will require identification of the funding source – e.g., “assigned” funding (per the current Strategic Plan),
The idea behind this item, states Ms. Belshé, is that for anyone who makes a recommendation before the Commission that involves money, then that person would responsible for identifying what pot of money it would come from. In regards to staff presenting a 5-year projection, Ms. Belshé states that they want to ensure that staff time is being used wisely so this idea will be explored a bit more to provide further clarification to the Commission.

Commissioner Bostwick feels that a two-fold example will be a benefit to others so that they can understand the document and see what bucket the money will be coming out of.

Ms. Belshé now goes on to the next two items on the Governance guidelines.

5. Financial sustainability. Recommendations to the Commission will include a section addressing the sustainability of any proposed programmatic investment. Staff will provide to the Commission a semi-annual sustainability status report for all First 5 LA investments.

6. Leveraging. Grantees and contractors must demonstrate how First 5 LA investments will be leveraged; where unable, grantees/contractors will be provided training and technical assistance.

Ms. Belshé passes around handouts, indicating that they were topics of discussions around what sustainability means. The current definition of sustainability in our current strategic plan is:

“...sustain results that benefit all children prenatal through age five and their families, by mobilizing both social and financial capital to produce measurable, positive change for these families at the community level” and “...the continuation, strengthening, and/or furthering of impact on the well-being of children and families over an extended period of time”

Ms. Belshé says that First5 LA would like to incorporate a sustainability provision to the grant making process in order to support the infrastructure of a program or initiative. However, First 5 LA has not ever requested a sustainability provision at the front end of investment decisions. First 5 LA would like to ensure that there is some type of exit strategy when the grant funding period ends.

Committee Chair Browning would like to know if this would be part of the RFP? Will there be the expectation that not only do you provide a service but a program that would be a research or exit program? He feels that there should be some type of document that says how it will exit.

Commission Figueroa-Villa is concerned about the smaller organizations that are not accustomed to leveraging and may not be able to exit properly once the funding period ends.

Commissioner Bostwick feels that there should be some type of technical assistance provided to assist these organizations with sustaining its programs beyond the funding period so that they can sustain the program on its own. She says that it may be tricky at first in trying to figure out how to sustain the programs but with technical assistance, even after the funding ends, you would still have these people whom have been trained to help carry on the programs.

Commissioner Figueroa-Villa says that she is unsure of what type of role First 5 LA would play in the sustainability aspect of funding programs. Would it be in the RFP? She is concerned that
though these smaller organizations know how to carry out their programs, they may not know how to answer the sustainability and leveraging related questions.

Committee Chair Browning responds by saying that it is important for these organizations whom are applying for First5 LA funds to know how to answer these questions. He says that this is where technical assistance will come in.

Commissioner Figueroa-Villa suggests that perhaps at the bidders conference for the applicants who respond to the RFP’s, there is some type of technical assistance provided with some examples so that these applicants can understand what is expected of them when it comes to leveraging and sustainability.

Mr. Wagner adds to the conversation that First 5 LA has checked with other First 5 organization’s to see how they define sustainability and it is implemented into their process of solicitation and awarding of grants to applicants. Mr. Wagner says that staff will soon be able to discuss the information that has been gathered with Commissioners.

Ms. Belshé explains that First 5 LA has always focused on resource mobilization as part of its sustainability process with organizations, carried out through its Community Investments department. There are four goals and three approaches associated with this:

Goals:
1. Support and enhance the impact of the total portfolio of First 5 LA investments through establishing effective partnerships
2. Leverage social and financial capital
3. Strengthen the capacity of organizations and communities
4. Policy change

Approaches:
1. Grant making (strategic partnerships, matching funds, earned income/social enterprise strategies, technical assistance)
2. Building relationships (partnerships, networks, collaboratives to advocate for/secure resources)
3. Sharing information (F5LA work, best practices, partnership opportunities, policy/advocacy)

Ms. Belshé says that through its Community Investments department, we work with our current grantees to help them with resource mobilization; done through relationship building and information sharing.

Through discussions with the Chair, Ms. Belshé says that staff is trying to figure out if there is a way to incorporate leveraging and sustainability at the front end of the funding process. This is intended to inform applicants of what would be expected in order to receive funding.

Committee Chair Browning says that he feels that this is a good way of doing things where leveraging could be incorporated at the front end and sustainability at the back end. He says it’s just like when DCFS had to tighten its belt due to a budget crunch. There were things that DCFS should have billed to Title 19 but didn’t, since there was never a budget problem. But given the budget crunch, DCFS worked with its attorney and found a way to bill things to Title 19, thus allowing them to not have to terminate a good amount of nurses.

Ms. Belshé also informs the Committee that First 5 LA already collects data at the back end with regards to leveraging. However, First 5 LA wants to incorporate it at the front end. She
states that staff wants to see if it can find money that is being left on the table. For instance, are there any First 5 LA investments that could be funded by federal or state funds or that can be matched? She says that we might be able to do this through a front end survey.

Commissioner Bostwick says that breaking down individual activities to find out if there is a match with federal or state funds might be difficult for organizations to do. But she does like the idea of First 5 LA trying to figure out where it is leaving money on the table.

Ms. Belshé continues the conversation by stating that the staff is working with other First 5 organizations to see what it can learn from them to see what has been done around leveraging and sustainability and see how we can incorporate it into our own process of solicitation.

Ms. Belshé uses the Vision motion as an example to explain how the governance guidelines would play a role in the decision making process. Although these services are covered by Medi-Cal, First 5 LA’s funding would help to cover the gap around access issues. She says that if First 5 LA had been given the opportunity to look at the motion before it was voted on, then First 5 LA would have been able to explicitly call out to the Commission that through this funding, it would help to resolve access issues. Furthermore, staff would have been able to explain to the full Commission the sustainability aspect of this program and that this issue is something that could eventually be addressed through policy change.

And although First 5 LA is doing a lot of work around policy and advocacy, Ms. Belshe states that it is important for there to be a consistent framework that can help the decision making process.

Given the time constraints, Ms. Belshé now says that she would like to refine the following item before going into a further discussion with the Committee and would just like some quick comments regarding it.

7. **Grant expiration and “sit out”.** First 5 LA investments will end pursuant to the time stated in the original allocation or grant award. Grants/contracts subject to expiration will not be considered for further funding for a period of 1 or 2 years. Staff will provide an annual Board update each spring on expiring grants and contracts so the Board has this information prior to the development of the budget.

Committee Chair Browning says that there will be a lot of questions around the sitting-out process since it is not about phasing out.

Ms. Belshé says that this concept of sitting out stems from having different organizations that continue to receive funding year after year, even after its grant period has ended. She uses LAUP as an example. First 5 LA is trying to send a message to grantees and contractors that they cannot assume indefinite support from First 5 LA since it is not a sustainable expectation.

Commissioner Bostwick says that it is a good idea to set up a transition tool for organizations to help phase out these organizations from relying on First 5 LA to fund its programs. She’s not sure if it should be technical assistance or offering jobs, etc.

Commissioner Figueroa-Villa says that one of the issues that still needs to be addressed is the fact that the public still views First 5 LA as having over $700 million in its bank. She says communications around our fiscal context is important for the public to understand.
Ms. Belshé agrees with Commissioner Figueroa-Villa and staff plans on addressing the communications aspect around the myth of First 5 LA having a surplus in the bank to give away.

There is no further discussion on this item.

4. 2014 Anticipated Budget Issues

Ms. Chough goes over Budget issues that are anticipated for 2014. She says that back in September 2013, the Finance Department briefed the Budget and Finance Committee on potential changes to the FY 14-15 budget. This included the following:

- Defining the role of the budget, which informs the way the budget is developed
- Examining the relationship between Contract Authority and Budget Authority
- Providing delegated authority to amend a contract by 10 percent of the total amount
- Continuing the annual Long Term Financial Plan (LTFP)
- Creating a single budget document, merging Operating and Program budgets

Then in November 2013, the Finance Department briefed the Executive Committee on its timeline for the FY14-15 budget. And in December 2013, the draft of LTFP was presented to the Budget and Finance Committee and again presented to the Commission on January 13.

She says that in February, First 5 LA will be asking for approval of the LTFP, and will begin the internal budget development process.

The remainder of the timeline is as follows:

**March-April**
Complete budget development.

**April 21**
Present the FY14-15 Proposed Budget to the Budget & Finance Committee.

**May 8**
Present FY14-15 Proposed Budget to the Commission. Mid-Late May: If necessary, present revised FY14-15 Proposed Budget to the Budget & Finance Committee.

**June 12**
Request Commission adoption of the FY14-15 Proposed Budget.

Ms. Chough says that there are also other ongoing First 5 LA efforts that may inform the budget development. They are as follows:

- Strategic Plan development for 2016-2020
- Organizational Transition Team (OTT) effort
- Compensation Study
- Government Finance Officers Association (GFOA) process improvement efforts

She also informs the Committee that as the FY14-15 Budget is developed, staff will assess and make recommendations to the Budget & Finance Committees regarding potential changes for the FY15-16 Budget, the first year of the new Strategic Plan. Such changes may include, but are not be limited to:
Committee Chair Browning would like to know if the Budget and Finance Committee look at what the expenditures are on a monthly basis.

Ms. Chough says that we do not present expenditures on a monthly basis to the Budget and Finance Committee for its review.

Committee Chair Browning feels that documents that show a snapshot of where First 5 LA is financially should come to the Budget and Finance Committee monthly.

Mr. Wagner says that staff can take this recommendation and come back with some options for the Committee at its next Committee meeting.

Committee Chair Browning says that by involving the Committee in the review of First 5 LA’s financial state on a monthly basis, it will help First 5 LA to receive recommendations from the Committee to help resolve or address any issues that may come about.

Commissioner Figueroa-Villa would like to know when the money will come out of the fund balance that is already committed so that the public will see that First 5 LA doesn’t really have an abundance of money available for funding.

Ms. Chough explains the slide that was presented on the LTFP PowerPoint that included the broken up pie chart of the different allocations.
SUMMARY MEETING NOTES

She reminds the Committee of the following:

1. More than 3/4 of the total Fund Balance is already committed to Commission-approved allocations and the annual FY 2013-14 appropriation approved by the Commission for programs that adhere to a zero-based budgeting platform.
2. Approximately 9% is in the Assigned category for use consistent with the Strategic Plan guidelines.
3. 10% is Unassigned, which includes $17.8M designated for our FY 13-14 Operating Budget and $53.1M designated for our Fund Balance Reserve.
4. Less than 4% is considered Nonspendable, which includes funds that we have advanced to various contractors or grantees.

Committee Chair Browning would like to look at highlights of expenditure patterns so that the Committee can get a feel of what is going on, even if they are not “actual” patterns. He would like to spend time at the next Budget and Finance Committee meeting getting up to speed on budget expenditures. He feels that this Committee should be the experts on the budget and be able to help staff in explaining any issues to the full Commission that may arise.

Commissioner Bostwick says that she, too, would like this Committee to help staff in its presentation before the Commission in presenting any issues that may come up so that it would not only be the staff’s responsibility in getting the Commission to understand certain issues. By vetting out issues in the Budget and Committee meetings, the Committee members would be able to help answer any questions that the full Commission may have.

Staff agrees with Committee Chair Browning’s recommendations of spending more time at the next Budget and Finance Committee meeting on getting up to speed on the budget.

There is no further discussion.

ADJOURNMENT:
The meeting was adjourned at 3:03 pm.

NEXT MEETING:
The next Budget and Finance Committee meeting will take place on February 19, 2014 at 1:30 p.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.