1. Call to Order/Roll Call

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

2. Review of Meeting Notes – Budget and Finance Committee, February 19, 2014

THE ITEM WAS RECEIVED AND FILED

3. Draft FY 2014-15 Proposed Budget

Ms. Chough gives a presentation on the draft FY 2014-15 proposed Budget. She starts by informing the Committee that each Committee member was delivered a budget binder for this binder to make the item easier to follow.

Ms. Chough informs the Committee that there have been some changes to the budget approach for the FY14-15 budget:

- Redefining role of budget as a blueprint for spending on Commission priorities
  - Redefining budget authority as a “spending cap”
  - Setting outside parameters based on estimated spending, not negotiated contract amounts
- There are key activities that inform the budget:
  - Adoption of the Building Stronger Families Framework (BSFF) in June 2013
  - Completion of the first two strands of Listening, Learning and Leading (L3)
  - Organizational Transition Team (OTT)
  - Updated Long Term Financial Projection approved in February 2014
  - Governance Guidelines approved in March 2014

Ms. Chough then goes on to give a brief overview of the budget framework. She says that 92% of the proposed budget is Program,
These program initiatives by investment categories are as follows:

1. Place-Based Initiatives
2. Countywide Strategies
3. Countywide Initiatives
4. Prior Strategic Plan Initiatives
5. Research & Evaluation

The other 8% of the total budget is as follows:

1. Governance & Executive
2. Administration Departments
3. Program Departments
4. Other (Medi-Cal Administrative Activities)

Ms. Chough reminds the Committee that FY 2014-15 is the last year of the current strategic plan. She also informs the Committee that the draft proposed budget largely represents a “status quo” budget with select augmentations for the following:

- Full implementation of the current Strategic Plan
- Strengthening policy and advocacy efforts
- Building the internal capacity of First 5 LA

The following table is the proposed budget overview:

<table>
<thead>
<tr>
<th>BUDGET COMPONENT</th>
<th>Revised FY 2013-14</th>
<th>Proposed FY 2014-15</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program</td>
<td>213,357,559</td>
<td>219,915,000</td>
<td>3.1%</td>
</tr>
<tr>
<td>Operating</td>
<td>17,802,358</td>
<td>19,304,683</td>
<td>8.4%</td>
</tr>
<tr>
<td>TOTAL BUDGET</td>
<td>231,159,917</td>
<td>239,219,683</td>
<td>3.5%</td>
</tr>
</tbody>
</table>

Ms. Chough continues her presentation by highlighting the primary drivers of the programmatic increases in the budget:

- Full implementation of current Strategic Plan
  - Program ramp up, including investments in Family Strengthening, Best Start communities, and various Countywide Initiatives
- Strengthening of policy and advocacy efforts: prioritization of policy agenda
• Resources to support at-risk fathers, as well as Commission augmentations of Black Infant Health and Children’s Vision Care
• Reporting change to include advanced funds in the budget
  - Health Access: Healthy Kids Insurance Coverage (LA Care)
  - LAUP: District Demonstration Projects

Another highlight that Ms. Chough gives is that 11 initiatives with an annual appropriation totaling nearly $17.7 million will come to an end in FY 2013-14.

Ms. Chough then goes on to explain the highlights of the place-based initiatives. She states that Family Strengthening (direct services) also includes Welcome Baby ad Select Home Visitation for families within Best Start Communities.

<table>
<thead>
<tr>
<th>INITIATIVE/PROGRAM</th>
<th>Proposed FY 2014-15 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Best Start Family Strengthening</td>
<td></td>
</tr>
<tr>
<td>Welcome Baby Hospitals</td>
<td>$14,348,000 37%</td>
</tr>
<tr>
<td>Select Home Visitation</td>
<td>$12,456,000 32%</td>
</tr>
<tr>
<td>Family Strengthening Oversight Entity</td>
<td>$3,172,000 8%</td>
</tr>
<tr>
<td>Family Strengthening Public Education</td>
<td>$150,000 0%</td>
</tr>
<tr>
<td>Total Best Start Family Strengthening</td>
<td>$30,126,000 78%</td>
</tr>
<tr>
<td>Universal Assessment of Newborns</td>
<td>$8,558,000 22%</td>
</tr>
<tr>
<td>Total Family Strengthening</td>
<td>$38,684,000 100%</td>
</tr>
</tbody>
</table>

She informs the Committee that Community Funding, which includes implementation of the Building Stronger Families Framework (BSFF) in the 14 Best Start communities. She notes that the communities will be fully implementing the BSFF in FY 2014-15. The action phase of BSFF is anchored by the Learning by Doing (LBD) process. She also states that staff will introduce new elements—such as the Resident Leadership Academy and Best Start Advisory Council and begin the transition to a Long-Term business model.

<table>
<thead>
<tr>
<th>INITIATIVE/PROGRAM</th>
<th>Proposed FY 2014-15 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Best Start Community Funding</td>
<td></td>
</tr>
<tr>
<td>BSFF Alignment</td>
<td>$153,000 1%</td>
</tr>
<tr>
<td>LBD: Partnership Capacity Building &amp; Planning</td>
<td>$1,438,000 11%</td>
</tr>
<tr>
<td>LBD: Resident Engagement</td>
<td>$1,740,000 14%</td>
</tr>
<tr>
<td>LBD: Results-Focused Actions</td>
<td>$2,865,000 22%</td>
</tr>
<tr>
<td>LBD: Assessing Progress</td>
<td>$302,000 2%</td>
</tr>
<tr>
<td>LBD: Community Convenings</td>
<td>$4,605,000 36%</td>
</tr>
<tr>
<td>Marketing &amp; Communications</td>
<td>$1,775,000 14%</td>
</tr>
<tr>
<td>Total Best Start Community Funding</td>
<td>$12,878,000 100%</td>
</tr>
</tbody>
</table>

Other highlights Ms. Chough goes into are those associated with the program requests of the countywide strategies. She informs the committee that some of the costs in this item are related to an increased focus on leveraging and sustainability, consistent with the Governance Guidelines, such as Resource Mobilization investments. She also informs the Committee that increased resources are anticipated to support policy and advocacy activities, consistent with
Board-approved policy priorities (ECE and home visitation), strategies and intended outcomes. In addition, other costs related to countywide strategies that have been included in this budget are those related to the continued implementation of other Countywide Strategies, including Data Systems Integration, Health Access (Healthy Kids), Information Resource & Referral (211), Public Education and Workforce Development.

Other highlights of the countywide initiatives also include the following:

- Board-approved investment to support at-risk fathers
- Extension and augmentation of Black Infant Health and Children’s Vision Care
- Ramp up or full implementation for the following initiatives:
  - Early Identification and Intervention – Autism and Other Developmental Delays
  - Healthy Food Access
  - Little by Little/One Step Ahead
  - Peer Support Groups for Parents
  - Reducing Childhood Obesity
  - Workforce Development – ECE Workforce Consortium

Highlights for prior strategic plan initiatives include:

- Extended funding through December 2014 for Partnerships for Families approved in April 2014
- Continued funding for LAUP
  - Inclusion of budget amount for the District Demonstration Projects (advanced funds)
  - First 5 LA and LAUP staff working together to create a 2-year contract for the remainder of the contract period (through June 2016)
- Inclusion of a budget amount for Oral Health & Nutrition – Dental Home (advanced funds)

Highlights for Research and Evaluation:

- Continuation and further development of evaluations of First 5 LA’s place-based investments, including:
  - Best Start Evaluation – ongoing developmental evaluation and preparation for a formative evaluation anticipated to begin in FY 2015-16
  - Home Visiting Evaluation – will include multiple projects designed to inform the larger policy and sustainability discussions
- Funding for Phase 8 of the LAUP Universal Preschool Child Outcomes Study (UPCOS)

Ms. Chough informs the Committee drivers of the operating increase include the following:

- Position change requests: 1 new part-time position for HR, extensions of 9 term-limited BSFF-related positions, conversion of 3 full-time regular BSFF-related positions (2 were converted in Midyear BA)
- Strategic planning and organizational development efforts
- Prioritization of staff training and professional development
- Cost of Living Adjustment

She also states that the administrative cost cap is 4.34% of total budget.
Ms. Chough finally goes on to explain the potential changes that may occur in the future.

- Implementation of compensation study recommendations
  - Currently in the process of being evaluated by management
  - Recommendations will be brought to the Executive and Budget & Finance Committees and incorporated into the budget as appropriate.

- As “form follows function,” we anticipate that possible modifications to the budget based on the direction of the new Strategic Plan.

- We will continue to assess the following:
  - Implementation of a biennial budget
  - Approval of the budget in April
  - Ability to incorporate mid-term budget adjustments for programs

Ms. Chough now concludes her presentation with next steps.

**May 8, 2014 – Commission Meeting**
- Informational Item: Overview and discussion of the FY 2014-15 Proposed Budget

**May 15, 2014 – Executive Committee**
- Overview of the FY 2014-15 Proposed Budget with a more in-depth discussion of operating costs

**May 20, 2014 – Budget & Finance Committee Meeting**
- If necessary, review any changes/addendums to the Proposed Budget based on:
  - Commission Feedback
  - Updated information/direction
- Review projected Fund Balance as of June 30, 2014

**June 12, 2014 – Commission Meeting**
- Action Item: Presented for Commission approval

Commissioner Bostwick would like a more detailed explanation on redefining the budget authority as a spending cap. She would like to know how it differs from implementing the necessary adjustments in the future for a particular program.

Ms. Chough explains that now the spending cap is an up to amount and a not to exceed amount per year.

She gives an analogy. Let’s say someone told the Commission they are buying a house. Then, the Commission asks what does your house look like? But staff didn’t have a very good answer to that. As a result, the budget went from very broad to a budget that included a lot of activities. In FY 2012-2013, the budget was based on activities, but the Commission wanted to know what the outcomes were, instead of just the activities. In response to the Commission, staff responded by providing performance results and outcomes to the full Commission, instead of just reporting the activities.

Commissioner Browning wants to know that if there was a contract that was multiyear for $3M, and the budget authority is $100,000, could the expenses be exceeded in the first year beyond $100,000?
Ms. Chough responds by saying that they would not be able to since the budget authority is for $100,000.

Commissioner Bostwick would like to know what happens to the money if they only spend $50,000.

Ms. Chough explains that the excess money goes back in another bucket, and that staff do not have to go back to the board to do this.

Ms. Belshe says that staff can provide more clarity on the spending cap that it is annually so that the Commission is clear on this aspect of the budget.

There is no further discussion on this item.

4. **Compensation and Benefits Study**

Ms. Martinez gives a brief update on the current status of the compensation and benefits study.

She informs the Committee that there are three goals to this project:

**Internal Equity**
- A review and assessment of the position and FLSA classification, job evaluation, compensation, and pay delivery mechanisms
- An appropriate alignment of positions in an internally fair and equitable manner

**External Competitiveness**
- An understanding of how First 5 LA’s base pay practices and benefits compare to other organizations in First 5 LA’s market for talent
- A compensation study that uses organizations within the market for talent as a basis for salary comparison

**Alignment**
- A review of the existing compensation practices with recommendations for any changes based upon an analysis of internal and external data
- Specific recommendations regarding appropriate levels of base pay

She states that Hay Group worked with leadership and HR to learn about First 5 LA’s business strategy, operating model, issues, opportunities, and challenges. Hay Group reviewed position descriptions for each role in the organization. As part of its processes, Hay Group also measured the content of all jobs in the organization using its Guide ChartSM – Profile Method of Job Evaluation. Ms. Martinez notes that all job content findings were reviewed and validated by senior leadership and HR.

She goes on to discuss how Hay Group’s methodology measures three aspects of a job:

1. Knowledge required (input)
2. Problem solving involved (throughput)
3. Results expected (output)

Ms. Martinez explains how the Hay Group worked the HR team and leadership at First 5 LA to validate job measurement findings and applied significant rigor to the job content analysis because we believe consistent internal measurements are important for employee development,
salary structure development, overall fairness, and also provide a reliable map to the external market.

She states that they compared different roles at similar content levels across the organization, even if the type of job they do is different. They also identified differences and relativities between senior and subordinate roles in a reporting ladder. This in turn helped to check the evaluation of roles but is also an important tool for organizational design.

Ms. Martinez informs the Committee that she and the HR team also received similar training on this measurement tool.

She now goes over the job content levels.

<table>
<thead>
<tr>
<th>Level Descriptors</th>
</tr>
</thead>
<tbody>
<tr>
<td>21+</td>
</tr>
<tr>
<td>20</td>
</tr>
<tr>
<td>19</td>
</tr>
<tr>
<td>18</td>
</tr>
<tr>
<td>17</td>
</tr>
<tr>
<td>16</td>
</tr>
<tr>
<td>15</td>
</tr>
<tr>
<td>14</td>
</tr>
<tr>
<td>13</td>
</tr>
<tr>
<td>12</td>
</tr>
<tr>
<td>11</td>
</tr>
<tr>
<td>10</td>
</tr>
</tbody>
</table>
Ms. Martinez now discusses the internal analysis that took place as part of this study.

- As part of our study, Hay Group compared First 5 LA base salaries to job content levels agreed upon by the project team. This diagnostic practice is designed to highlight internal pay practices relative to First 5 LA’s existing value structure
  - We find that there is positive correlation between job size and base salary; that is, as job size increases, pay increases

- Pay varies throughout the organization, typically due to:
  - Varying years of service
  - Employee’s salary previous to First 5 LA
  - Outstanding individual performance
  - Pay pressure in the external market on particular jobs and/or skill sets

- An FLSA review was performed to provide First 5 LA with some guidance on the appropriate exempt/non-exempt classification for its positions

Ms. Martinez informs the Committee that based on the Hay Group’s findings, they are recommending the following:

**Salary Structure**

- Based on our review of both job content levels at First 5 LA and external market levels, Hay Group has prepared a model structure for First 5 LA to consider implementing
  - This model takes the external market into consideration, blending market data with First 5 LA’s current pay practices. The recommended structure brings First 5 LA closer to a competitive target market

- Bring all employees who are below the minimum pay salary to the minimum. The investment to bring all employees’ salaries up to their recommended range minimum in the model structure is $55,112

Ms. Martinez covers a table that shows the recommended ranges for base salary.
Ms. Martinez explains that based on the findings, overall, base salary levels fall around the median of the market (the “competitive” level), with some variances by grade level:

- Support, administrative positions and entry to mid-level professionals tend to be paid in line with the market
- For seasoned professional roles and functional leaders, there is less differentiation in base salary between different grade levels than is seen in the market
- Higher-level directors and executives generally fall below the market, but move closer to the market at the executive levels

With regards to benefits, Ms. Martinez explains that what Hay found is that First 5 LA provides a full range of benefit programs to its employees that are above market median for those earning up to $100,000 and below market median for those earning more than $100,000. The table below summarizes First 5 LA’s competitive market position by benefit program component.

<table>
<thead>
<tr>
<th>Benefit Area</th>
<th>First 5 LA vs. Market</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Salary ≤ $100,000</td>
</tr>
<tr>
<td>Total Benefits</td>
<td>P50 – P75</td>
</tr>
<tr>
<td>Retirement</td>
<td>P25 – P50</td>
</tr>
<tr>
<td>Healthcare</td>
<td>&gt; P75</td>
</tr>
<tr>
<td>Disability</td>
<td>&lt; P25</td>
</tr>
<tr>
<td>Death</td>
<td>P75</td>
</tr>
<tr>
<td>Other Benefits</td>
<td>P50 – P75</td>
</tr>
</tbody>
</table>

5. **Monthly Financials and Healthy Kids Spending Update**

Mr. Ortega briefly goes through the monthly financials that were approved at the last Commission meeting in April. He says that consistent with what the Chair was requesting, staff
has come back to this Committee with the monthly financials slightly revised with the column YTD Exp./Budget.

Mr. Ortega then hands over the presentation to Ms. Cabezas who goes over a brief update on the Healthy Kids spending initiative, which was one of the programs that Commissioner Bostwick had suggested as giving an update to before the Committee.

Ms. Cabezas gives a brief summary on the Healthy Kids Spending program.

**Healthy Kids Spending**

- First 5 LA Healthy Kids Initiative provides access to low- or no-cost health insurance for children ages 0-5 in Los Angeles County who are not eligible for Medi-Cal or Healthy Families.
- This program was established in 2003
- F5LA funds two critical components
  - **Enrollment**
    - F5LA funds a network of community-based organizations through the L.A. County Department of Public Health (DPH) to identify and assist families in applying for any health insurance program for which they may be eligible. DPH's goal is to ensure universal coverage for kids 0 to 5.
    - In addition to Healthy Kids, DPH also enrolls children in Medi-Cal, Healthy Families and other plans. Once a family is enrolled, DPH works closely with them to help maintain insurance coverage and to ensure optimal health and development.
  - **Utilization**
    - First 5 LA funds LA Care Health Plan to administer Healthy Kids insurance, a comprehensive benefits package that includes medical, mental health, dental and vision care.

Ms. Cabezas informs the Committee that her presentation will focus on the former component. She explains that in the monthly financial report, the YTD expenditures for July through December 2013 for Healthy Kids is at about $1.8M, which accounts for 38% of their total budget.

She then goes on to explain that in the 2nd quarter, which was processed in February, the total expenditures was close to $1.4M. Ms. Cabezas explains that these expenditures could be a sign of the ramp-up that was experienced during the 2nd Quarter, mainly due to delays in subcontractors submitting their invoices. She also notes that the financial shows that expenditures increase as the year goes on. *(Based on quarter 1 invoice)* She concludes her item by informing the Committee that staff expect this trend to continue and project that the Department of Public Health (DPH) will almost fully utilize their funds by the end of the contract. In the previous fiscal year, DPH used 99.6% of their budgeted funds *(Based on the final FY 12-13 invoice)*.

6. **Mid-Year Progress Report**

Mr. Snow gives a brief presentation on the mid-year progress report. He explains that the midyear report includes information on the programmatic spending as well other activities that have occurred in the first half of the fiscal year.
On this report, there are 55 initiatives and programs. Based on this number, 15 of these programs/initiatives were on target, 18 slightly under spending, and 22 were greatly under spending.

There were a variety of reasons for the under spending. For example, many initiatives and programs indicated that the invoices would be seen at the end of the year. Other programs/initiatives where the contract goes over the current fiscal year, indicated that there would be more spending in Q4 of this year and Q1 of the following fiscal year. There were other scopes and goals that got redefined midyear, so the spending changed accordingly.

Usually, at the end of the year, more of the spending is on target.

Commissioner Browning would like to know if there are any contractors who overspend by the end of the contract.

Mr. Snow indicates that there aren’t any whom go over their contract despite the higher initial rate of spending. Some programs are meant to spend most of the money in the initial stages of implementation instead of the later stages.

Commissioner Browning states that this midyear progress report is very helpful and would like to know how often it goes before the Commission.

Mr. Ortega informs the Committee Chair that this goes about 2-3 times before the Commission every year.

Commissioner Browning is happy that this report goes before the Commission and wants to ensure that the report that staff puts out works for staff and not just the Commission. It has to be meaningful to both parties.

There is no further discussion on this item.

ADJOURNMENT:
The meeting was adjourned at 11:44 am.

NEXT MEETING:
The next Budget and Finance Committee meeting will take place on May 20, 2014 at 4 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 of the Board of Commissioners.