AGENDA

SPECIAL MEETING OF THE EXECUTIVE COMMITTEE
Chair: Jonathan Fielding

Monday, May 7, 2012
2:00 pm - 3:30 pm

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

Item 1 Call to Order

Item 2 Public Comment for Items on the Agenda

Item 3 Review of Meeting Notes – November 3, 2011

Item 4 Supplemental Staffing Requests

Item 5 Fund Balance Analysis and Preparation of Long-Term Financial Plan

Item 6 Proposal for Processing Emergency Requests

Item 7 Closed Session

Conference with Real Property Negotiator Pursuant to Government Code Section 54956.8

Property Location: 750 N. Alameda Street
Los Angeles, CA 90012

Negotiating Parties: First 5 LA Interim CEO
La Petite Academy, Inc.

Item 8 Adjournment

ACTION

INFORMATION

INFORMATION

INFORMATION

INFORMATION

ACTION
Item 1

Call to Order
Item 2

Public Comment for Items on the Agenda
Item 3

Review
of Meeting Notes – November 3, 2011
SUMMARY MEETING NOTES

FIRST 5 LA
SUMMARY MEETING NOTES
Ad Hoc Executive Committee Meeting
November 3, 2011

COMMISSIONERS PRESENT:
Commissioners:
Jonathan Fielding [Vice Chair]
Neal Kaufman
Evangelina (Angie) Stockwell

COMMISSIONERS ABSENT:
Antronette Yancey [Excused]

STAFF PRESENT:
Evelyn V. Martinez, Chief Executive Officer
Carol Baker, Policy Director
Yolanda Bosch, Chief Administrative Officer
Armando Jimenez, Director of Research & Evaluation
Raoul Ortega, Finance Manager
Maria Romero, Executive Assistant

LEGAL COUNSEL:
None

1. Call to Order

The meeting was called to order at 2:35 pm by Vice Chair Fielding.

2. Review of Meeting Notes – October 6, 2011

RECEIVED AND FILED

3. Clarification on Contracting Process

CAO Bosch reported that in response to the Phase Two audit conducted by Harvey M. Rose Associates, Mayor Antonovich sent a letter to CEO Martinez, dated October 20, 2011. The letter directs the CEO to implement, effective immediately, three recommendations and to report back in writing to the Commission on the status of the implementation.

Staff prepared a written report in response to the Mayor’s request. While preparing the response to Recommendation 4.2, staff determined that clarification was needed as to at what point in the contracting process the Commission wants to approve the contract.

Recommendation 4.2 states: Direct management to include a consent item for approval on the monthly Board of Commissioners agenda listing all grantee and contractor agreements and amounts to be approved, whether Board of Commissioner approval is required or not, so that information about all agreements is disclosed and any agreement can be further scrutinized at Board meetings if so requested by any member of the Board of Commissioners. Bidding process dates and other milestones should also be reported.

Staff reviewed the current steps required to follow in order to successfully procure a contract:
1. Board Approves allocation
2. Department plans project/initiative
3. Funding Opportunity is posted to the website (or exception/strategic partnership is developed)
4. For RFP/RFQ, staff facilitates various levels of review which includes:
   a. Level 1: Internal Review (conducted by staff)
   b. Level 2: External Review
   c. Level 3: Financial review
   d. Site Visits
   e. Reference Checks
   f. Final Interviews
5. Scores are tabulated and a summary report is developed by staff.
6. Bidding Documentation (step 5) and Award/Declination letters are drafted and provided to CEO for review and approval.
7. If CEO approves, staff communicates the award/declination to the applicant(s).
8. Staff negotiates the Scope of Work and Budget and collects all required contract documentation.
9. Bidding information and contract documentation is forwarded to the Contract Compliance department for processing.
10. Negotiations take place with contractors or grantees, a contract is processed and signatures are obtained, resulting in an executed agreement.

Staff was seeking clarification at what point in the process would the Board want to approve contracts as there are two points in the current process where staff could bring the contract to the Board for approval. The first instance is before the winning bidder or grantee is notified (Step 6). The second instance is after the contract is processed (Step 10).

Commissioner Kaufman suggested Board approval should be request after Step 10 and that all negotiations should be finalized in good faith prior to contracts being submitted for approval to the Board. If approval is granted, then the contract can then be executed.

Commissioner Stockwell asked what types of contracts required Board approval. CAO Bosch responded that CEO Martinez had a delegated authority to approve contracts up to $25,000 and all contracts and grant agreements exceeding $25,000 were always brought forward to the Board of approval.

CEO Martinez clarified that the last time Supervisor Antonovich was Commission Chair, her delegated authority had been increased to $100,000 to be consistent with County department heads but she had never exercised that delegated authority. She reminded the committee members that every action submitted to the Board for approval had a statement authorizing staff to negotiate and execute the contract. CEO Martinez stressed that no contract has ever been negotiated without the Board being aware of it.

Commissioner Stockwell asked what type of contracts could be approved by the Executive Committee. Vice Chair Fielding responded that the Executive Committee was an ad hoc committee and had no authority to make binding decisions on behalf of the Board.
CEO Martinez also responded by stating that issues of compliance were brought to the Executive Committee for guidance rather than presenting such issues to the full Board in a public meeting to avoid embarrassment and political fall-out. She also said that since the Executive Committee was an ad hoc committee, any issues brought to this committee would now also need to be brought forward to the full Board.

Commissioner Kaufman asked if the technology existed at First 5 LA for him to log onto a secure site to review the details of the contract or grant agreement. CEO Martinez responded that this did not exist and the information requested about a specific contract would be considered a public request.

Commissioner Kaufman commented that the public has the right to view any information that is on the Board agenda and that it did not necessarily needed to be in hard copy format. CEO Martinez responded that meeting packets were always made available to the public on the day of the meeting.

Commissioner Kaufman also suggested that no cost extensions could be approved by affirmation of the Board; however, if there were changes to the scope of work, then the new contracting procedures should be followed.

CONSENSUS: The Ad Hoc Executive Committee agreed that Board approval should be obtained prior to execution (signature) on all contracts and grant agreements. Contracts and grant agreements must be completed and negotiated as fully as possible prior to Board approval.

Based on the discussion and consensus reached by the Executive Committee, CEO Martinez stated that those contracts in abeyance, like Families In Schools, should be part of the new process in order to move forward. She directed CAO Bosch to move forward with implementing the new process for the November Commission meeting.

CAO Bosch stated that contracts through December, 2011 would be brought to the November Commission meeting for approval as the Commission does not meet in December.

4. GASB 54 Policy Modifications

Finance Manager Ortega reported that during the course of the fiscal year 2010-11 audit, the independent auditors noted that the Commission had adopted GASB Statement No. 54, Fund Balance Reporting and Government Fund Type Definitions. The statement required that fund balance be classified according to its level of constraint: non-spendable, restricted, committed, assigned and unassigned. The auditors noted that the formal actions used by the Commission resulted in committed fund balance classifications based on: 1) formal actions noted in the minutes of the meetings, 2) approval of contracts, and 3) funding allocations based on Commission action. Several of the actions took place in prior years and required management to roll forward balances to June 30, 2011. Certain amounts were reclassified as "assigned" because the documentation supported a lower level of constraint.
SUMMARY MEETING NOTES

The auditors recommended that the Commission strengthen its existing policies and procedures related to fund balance classifications. Such procedures should include consideration of the following:

- Clearly delineating a formal action used to commit resources (i.e. resolution);
- Clearly identifying whether the action results in a constraint of existing resources versus an allocation/appropriation of future revenues;
- Establishing a periodic reporting mechanism for the status of the specific committed and assigned amounts;
- Approving (or reaffirming) the committed amounts on an annual basis before the fiscal year-end to improve the audit trail of the specified purposes and amounts; and,
- Evaluating the amounts that have been committed when the financial position results in deficit unassigned fund balance.

These recommendations were brought forward to the Board of Commissioners at the October 13, 2011 meeting as part of the approval of the Comprehensive Annual Financial Report (CAFR). The Commission Chair proposed that these recommendations be considered by the Ad Hoc Executive Committee, which would then return to the full Board of Commissioners at the November 10, 2011 meeting with a recommendation for implementation. In order to make recommendations on changes to the existing GASB 54 Policy, staff is suggesting the following questions and points be considered:

- What type of formal action would be required to restrict funds: 1) a resolution or 2) a motion recorded in the meeting minutes. Either type of formal action should identify where the constraint of resources will be coming from, existing resources or future revenues.
- What type of formal action would be required to commit funds: 1) a resolution or 2) a motion recorded in the meeting minutes. Either type of formal action should identify where the constraint of resources will be coming from, existing resources or future revenues.
- Whether the Commission should designate a body/committee or an official who can designate fund balance as "assigned" for a specific purpose, as allowed by the adopted policy. If the Commission designates a body/committee or an official to be able to "assign" fund balance for a specific purpose, what type of action or documentation would be required supporting the actions.
- Whether the Commission should review the status of specific committed and assigned amounts on a quarterly basis.
- Whether there should be a reaffirmation of the committed amounts before the fiscal year-end to ensure it is the Commissions' desire to have the fund balance resources reported in the CAFR as committed. The reaffirmation action would be presented as a summary of all actions throughout the fiscal year and would improve the audit trail of the specified purposes and amounts.
- If the unassigned fund balance carries a deficit balance, should the Commission be proactive in eliminating the deficit position. If a deficit fund balance in unassigned remains on-going, the question of the agency's fiscal responsibility may come into question during the annual independent audit process.

Commissioner Stockwell commented that classification of funding should be as simple as possible.
CONSENSUS: The Ad Hoc Executive Committee directed staff to provide an update on the proposed GASB 54 Policy modifications to the Board at its November 10, 2011 meeting; further discussion would take place with follow-up action by staff, as appropriate.

5. La Petite Academy

CAO Bosch reported that La Petite Academy opened its doors May 9, 2005. On May 4, 2009, the Operations Committee approved staff's recommendation that La Petite Academy no longer serve as a contractor but instead become a tenant of First 5 LA. On October 1, 2009, First 5 LA and La Petite Academy entered into a Facility Use Agreement whereby LA Petite paid $1 annually in addition to paying for janitorial and maintenance costs and for any damages caused by them.

La Petite Academy has served as either a contractor or tenant of First 5 LA for over six years. Throughout that time, they have not paid any rent for the use of the 10,986.7 square feet they occupy. Until October 2009, First 5 LA was paying a management fee to La Petite Academy in the amount of $50,000 in addition to paying for all maintenance, repairs and utilities for the space they occupied.

The licensed capacity of the center is 40 preschool children ages 2 to 5 years and 27 infant/toddler children ages six weeks to two years for a total of 67. Currently, the weekly rate for infants and toddlers is $259 ($1,036 monthly) and $211 weekly ($844 monthly) for preschoolers. The center averages monthly revenue of approximately $55,500, factoring in a 10% vacancy rate and not including expenses. Historically, La Petite has maintained a 98% enrollment rate.

CAO Bosch also reported that at the September 29, 2011 Ad Hoc Executive Committee, the committee requested that staff return with answers to the following two questions:

1. Is 25 percent of total revenue a reasonable amount to charge the center?
2. If the center chooses to leave or we choose to ask them to leave, is there an entity that would be interested in using the space to create a model facility that would be operated consistent with First 5 LA's mission?

To determine whether 25 percent of the total revenue was a reasonable amount to charge the center for rent, staff identified all the child development centers within a two mile radius of First 5 LA who had a similar structure (a tenant in a building) and a similar license capacity. There were only two meeting this criterion: the Gateway Child Development Center at MTA and the Joy Picus Child Development Center at City Hall.

Neither of the two childcare centers pay rent. Each center does give the employees of their landlords’ first priority for space and Joy Picus charges a discounted rate to City employees. La Petite Academy does not provide any priority to First 5 LA staff nor do they offer our staff a discounted rate.

In response to whether there would be interest by another entity to occupy the space, staff has had preliminary conversations with professionals in the field of early childhood education. They have expressed interest in the idea and would like to continue the conversation.
SUMMARY MEETING NOTES

Staff is recommending that the Ad Hoc Executive Committee recommend to the full Commission the approval of an increase in the lease amount for La Petite Academy in the amount of $21,422.70 per month beginning on April 1, 2012. Further, if La Petite Academy chooses to terminate the lease, staff will provide a 90-day notice, and continue discussions that will lead to staff bringing recommendations for the use of the space back to the Ad Hoc Executive Committee.

Vice Chair Fielding commented that there were two issues that needed to be addressed before a recommendation could be made: (1) consider convening a group to develop a model program [i.e., dual language learner] for the type of childcare center that should be in the building; (2) determine the length of time of the lease extension.

Commissioner Kaufman commented that creating the model could be done in three months but implementation could take up to a year.

Vice Chair Fielding suggested that LAUP be contacted as a resource for early childhood education.

Commissioner Kaufman asked staff to find out what was a reasonable rent rate for the childcare center and then ask the center to pay rent ramping up through a sliding scale so that at the end of nine months or so, the reasonable rent rate is actually being paid.

CONSENSUS: The Ad Hoc Executive Committee directed staff to address the issues raised during discussion and to come back in January, 2012 with a recommendation to the Board which would include a proposal for the new model.

ADJOURNMENT:

The meeting was adjourned at 3:50 pm.

Minutes notes recorded by Maria Romero.
Item 4

Supplemental Staffing Requests
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Item 5

Fund Balance
Analysis and Preparation of Long-Term Financial Plan
To: Executive Committee  
From: Craig A. Steele, Interim CEO  
Date: May 7, 2012  
Subject: FUND BALANCE & MULTI-YEAR FORECAST

Attached is the fund balance and multi-year forecast developed by Finance staff. The following assumptions were used in this analysis and are critical in reviewing the financial projections:

- The fund balance and multi-year forecast were originally shared with the Budget and Finance Committee at their last meeting on April 20, 2012. The forecasts have been updated to reflect the most recent available financial information, the draft proposed budget, and actual expenses through March 31, 2012.

- The fund balance forecast is based on the unaudited fund balance as of March 31, 2012. It reflects revenue allocated and disbursed by First 5 California through January 31, 2012. In general, there is a two month lag of disbursements from month end. The multiyear revenue projection includes $99,000 in annual lease payments beginning in FY 2012-13.

- The fund balance forecast assumes that the balance of all allocated funds is fully expended for all Board Approved projects. Finance staff is currently in the processing of reviewing balances for all approved allocations and anticipates that actual expenses may be less than the allocation, thereby increasing the unrestricted fund balance. Examples of underspent allocations include the ARRA Matching Grants and Best Start Demonstration. Staff will return to the Commission in October 2012 with recommendations for reducing allocations as part of the report of FY 2011-12 year-end actuals.

- Staff recommends that the Commission eliminate the allocations for Research & Evaluation and Public Education. The balance of these allocations will be included in the Unrestricted Fund Balance and program expenses will be reflected as part of the annual budget funding requests. This action will be included as part of the FY 2012-13 Budget proposal.
The Multi-year Forecast is the first scenario developed by staff. It presents a preliminary scenario that builds from the FY 2012-13 Proposed Budget and reflects plans as known based on the Strategic Plan for Best Start, Countywide Strategies and Initiatives, and Prior Strategic Plan programs. Staff has assumed an annual allocation for other programs (to be defined) as a preliminary amount, subject to further Committee direction. Projections will be revised based on direction from the Executive and Budget and Finance Committees.

The Multi-Year Forecast will be updated to reflect the FY 2012-13 Program and Operating Budget approved by the Commission. The FY 2012-13 Proposed Budget recommends that the Fund Balance and Multi-year Projections be regularly updated and developed in advance of the annual budget. This will be a part of the Finance department’s scope of responsibility.

We look forward to your direction at Monday's Executive Committee meeting. Staff will be available to address any questions that you have at that time.

Attachment (2)
First 5 LA
Fund Balance Calculation 5/2/2012

Fund Balance as of March 31, 2012 (unaudited) ¹ $ 865,876,502

- Plus Anticipated Revenue (February - June 30) 42,207,943
- A. Less Balances Due on Current Contracts 95,317,430
- B. Less Obligations (Contracts Approved; Pending Execution)
  - i. Consent Agenda Items Approved July 1 - April 30 6,404,686
  - ii. Contract Actions Approved July 1 - April 30 7,847,521
- C. Less Projected Operating Expenses (April 1 - June 30, 2012) 3,198,804

Projected Fund Balance as of June 30, 2012 $ 795,316,204

Other Board Approved Demands (Balance of Allocation) Amt Funding Thru

Prior Plan Initiatives
- ARRA Matching Grants 2,026,469 2012
- Best Start Demonstration Project ² 29,416,215
- Community Opportunities Fund 1,201,028 2012
- LAUP (Operations and Endowment) 239,571,977 2016
- Oral Health Community Development 6,357,724 2015
- Oral Health & Nutrition 11,474,269 2015
- Partnerships for Families 16,244,415 2013
- Public Education ⁴ 1,193,801
- Research & Evaluation ⁵ 14,361,393 2016
- R&E - Early Learning (LAUP) 5,744,723 2016
- The Children’s Council 227,182 2012

Countywide
- Health Access/Healthy Kids 27,000,000 2015
- East LA College Child Care Providers 688,220 2013
- ECE Career Development Policy Project 1,235,699 2015
- ECE Workforce Consortium 30,369,705 2016
- LAUP Workforce Initiative 7,578,779 2016
- Autism 876,320 2016
- Black Infant Health 3,213,440 2015
- Cal-Learn 50,000 2012
- Connecting Risk and Perinatal Services ³ 199,957 2016
- Data Partnership with Funders 4,741,210 2016
- Uninterrupted Care for Prenatal to Postpartum ⁶ 2,800,000 on Hold
- Family Education ⁴ 13,100,000 on Hold
- Healthy Food Access 7,498,950 2018
- Infant Safe Sleeping 1,000,207 2014
- One Step Ahead 29,065,246 2016
- Parent Child Interaction Therapy 19,976,192 2017
- Peer Support Groups for Parents 2,500,000 2016
- Reducing Childhood Obesity 38,247,400 2016
- Safe Surrender Public Education Campaign 500,000 2013
- Substance Abuse Treatment Services 13,147,212 2015
- Tot Parks and Trails 9,997,060 2015
- Universal Assessment of Newborns 54,100,000 2017
- Best Start Community Projects ⁵ 23,940,000 2013

Total Other Board Approved Demands $ 619,702,370

TOTAL BOARD APPROVED DEMANDS (less R&E and Public Education) $ 604,147,176

Unrestricted Fund Balance $ 175,613,834 $ 191,169,028

Notes:
1. Fund balance reflects Prop 10 revenue allocated and recorded by First 5 LA through Jan 31, 2012.
2. Balance of Best Start funding is allocated to support Baby Friendly Hospital Implementation and Family Place Libraries.
3. Shaded area indicates no term for funding was included in approval action.
4. Projects on hold were allocated funding by the Commission, but require further project definition and Commission action.
5. Based on Commission action at April 12, 2012 to approve $1.71 million per community through June 30, 2013.
### First 5 LA Multi-Year Forecast

#### Scenario 1 (May 1, 2012)

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<tr>
<td>Family Literacy</td>
<td>2,310,000</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Healthy Births</td>
<td>4,579,167</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Infant Safe Sleeping</td>
<td>41,000</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Research &amp; Evaluation</td>
<td>$2,180,146</td>
<td>9,500,000</td>
<td>10,000,000</td>
<td>10,000,000</td>
</tr>
<tr>
<td>Funding for Other Programs (to be defined)</td>
<td>$30,000,000</td>
<td>35,000,000</td>
<td>35,000,000</td>
<td></td>
</tr>
</tbody>
</table>

**Subtotal** $31,541,018 $97,675,374 $104,854,701 $108,249,018

| Operating Expenses         | $16,770,628 | $17,106,041 | $17,448,161 | $17,797,125 |

**Projected Unrestricted Ending Fund Balance** $242,774,127 $224,883,508 $196,392,925 $162,028,381

### Notes to Projections:

1. Prop 10 Tax Allocations based on latest available DOF forecast. Assumes a 3.5% to 4% annual tax decline.
2. Interest earnings based on projected cash fund balance and interest beginning at 1.12% increasing to 1.65%.
3. Annual Program Demands based on approved Strategic Plan and anticipated program renewals. Approved allocations were included in the unrestricted fund balance calculation.
4. Best Start projections based on FY 12/13 Budget and preliminary estimates from staff based on projected implementation schedules.
5. Assumes that all Family Strengthening (Welcome Baby and Home Visitation) costs for FY 12/13 will be expensed against the existing Best Start Demonstration Program allocation.
6. Assumes School Readiness renewed through the end of FY 2014 at the funding level recommended by the Kindergarten Readiness Ad Hoc Committee.
7. R&E costs based on FY 2012/13 Budget and will be managed to 5% of total annual budget for planning purposes. In FY 12/13 budget, evaluation costs imbedded in project budgets.
8. Program Funding is a forecasted amount of funding to be spent on programs yet to be approved by the Commission in addition to specific components in plan and Countywide Investments.
9. Operating Expenses based on FY 12/13 Proposed Budget and increased by 2% annually.
Item 6

Proposal
for Processing Emergency Requests
March 27, 2012

Honorable Zev Yaroslavsky, Chair
First 5 LA
750 North Alameda Street, Suite 300
Los Angeles, CA 90012

Dear Chair Yaroslavsky:

I respectfully request that First 5 Los Angeles confer a loan or a grant on the Child Development Institute (CDI) for the purposes of constructing CDI's new Early Learning Center at the Canoga Park Library. The Center will serve as a community-based, developmentally-focused play and learning space open to all families and young children. I know you are familiar with CDI, as it is a longstanding, respected organization providing services to disabled children in our shared portion of the San Fernando Valley.

Through no fault of their own, CDI, and the children it serves, are a victim of bad timing. They have been caught between the city’s slow process to ratify an agreement with the Community Redevelopment Agency of the City of Los Angeles (CRA-LA) and the Court’s quick elimination of redevelopment agencies by court order. Worse yet, the agreement to be ratified was a new requirement of the city.

The CDI finds itself in a precarious position because of financial obligations that CRA-LA can no longer meet because of the court decision declaring invalid ABX1 27, the measure which would have allowed redevelopment activities to continue under new, scaled back authority. The CDI and CRA-LA have been working on a project for many years to rehabilitate the Canoga Park Library for use as CDI’s Early Learning Center. In 2009, CDI signed a 30 year lease with CRA-LA for use of the Canoga Park Library in usable form. The Agency was to be responsible for rehabilitating the building, repairing vandalism damage, and constructing two ADA compliant restrooms. At time of lease signing, the Los Angeles Department of General Services’ Construction Forces had completed a detailed construction budget, estimating the costs to make necessary repairs. The Agency used this estimate to determine the grant amount for rehabilitating the building.

Unfortunately, these cost estimates were inadequate. During construction, the Department of Building and Safety required a structural analysis and structural upgrades for basic structural capacity compliance. The Department inspector also required upgrades to the electrical system. Both of these items were not included in the original cost estimates and required an additional $142,000 to complete.

In January 2011 the CDI wrote to the CRA-LA requesting additional funds to finish the project. In May of 2011, CDI and CRA-LA came to an agreement that the CRA-LA would augment the grant amount to cover the infrastructure improvements allowing it to honor its agreement with CDI and pay for structural rehabilitation. Pursuant to this agreement, CDI took out a bridge loan for the $142,000 needed to finish construction on the project. Construction was completed in July 2011.

Even though the agreement for additional funds was made before redevelopment agencies were dissolved, the agreement was not approved by the CRA-LA and Los Angeles City Council until after the October 1, 2011 deadline, and therefore it has not been deemed an enforceable obligation by the Designated Local Authority. This has left CDI in a very difficult situation - it has already paid for the construction to finish the structural improvements to the building, but has no way to repay the loan and debts now owing to contractors.

For these reasons, I respectfully ask that you grant CDI a loan or a grant for the amount of $142,000 so that it will not be forced to reduce vital services to children in need in order to repay a debt owed to it by the CRA.

I believe the services provided by CDI are consistent with the allowable uses for First 5 funds, and therefore would be a sound investment and beneficial for both First 5 and the local community.

Thank you very much for your consideration. I would be happy to discuss this request with you personally should you have any questions.

Sincerely,

Bob Blumenfield
Assemblymember, District 40
Item 7

Closed Session

Conference with Real Property Negotiator Pursuant to Government Code Section 54956.8

Property Location:
750 N. Alameda Street
Los Angeles, CA 90012

Negotiating Parties:
First 5 LA Interim CEO
La Petite Academy, Inc.
Item 8

Adjournment