

# AGENDA

## SPECIAL JOINT MEETING OF THE BOARD OF COMMISSIONERS AND THE BUDGET & FINANCE AND EXECUTIVE COMMITTEES

**Budget & Finance Committee Chair: Robert Byrd**

**Thursday, September 1, 2016  
 10:00 AM**

**Meeting Location:**

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



**ASPOSE**

Your File Format APIs

1. **ACTION**  
 Call to Order  
 - **Judy Abdo, Chair**
2. **INFORMATION**  
 Review Executive Committee Meeting Notes - April 28, 2016  
 - **Judy Abdo, Chair**
3. **INFORMATION**  
 Standing Items
  - A. Review of Annual Operating Budget
  - B. Annual Audit
  - C. Review of Annual Report to the State Commission
  - D. Contract Compliance
  - E. Quality Assurance
  - F. Evaluation
  - G. Policy and Advocacy – Early Childhood Funding Landscape  
 - **Kim Pattillo Brownson, VP of Policy and Strategy**  
 - **Peter Barth, Director, Policy and Intergovernmental Affairs**
  - H. Personnel and Compensation
4. First 5 LA Policy Update:  
 - **John Wagner, Executive Vice President**

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**COMMISSIONERS**

Los Angeles County Supervisor	Judy Abdo	Summer McBride
Holly J. Mitchell	Robert Byrd, Psy.D	Maricela Ramirez
<i>Chair</i>	Astrid Heger, M.D.	Carol Sigala
Brandon Nichols	Yvette Martinez	
<i>Vice Chair</i>		

**EX OFFICIO MEMBERS**

Barbara Ferrer, Ph.D.,  
 M.P.H., M.Ed.  
 Jacquelyn McCroskey, DSW  
 Deanne Tilton

**EXECUTIVE DIRECTOR**

Karla Pleitéz Howell

**EXECUTIVE VICE PRESIDENT**

John A. Wagner

**A PUBLIC ENTITY**

- A. Fund Balance Policy 8
- B. Budget Policy 12
- 5. **INFORMATION**
  - Public Comment
- 6. **ACTION**
  - Adjournment
  
- 7. **CLOSED SESSION**
  - PUBLIC EMPLOYEE PERSONNEL EVALUATION
  - Government Code Section 54957
  - Title: Executive Director



**FIRST 5 LA  
SUMMARY MEETING NOTES  
Special Meeting of the Executive Committee  
April 28, 2016**

**COMMITTEE MEMBERS PRESENT:**

Judy Abdo (Chair)  
Nancy Au (Vice Chair)  
Duane Dennis

**COMMITTEE MEMBERS ABSENT:**

Christopher Thompson

**RECORDING SECRETARY:**

Linda Vo, Board Relations Specialist

**LEGAL COUNSEL:**

Craig Steele

**STAFF PRESENT:**

Kim Belshé, Executive Director  
Carl Gayden, Senior Director of Administration  
Faustino Genio, Staff Accountant  
Daisy Lopez, Budget Manager  
Alison Mendes, Finance Manager  
Raoul Ortega, Finance Director  
John Wagner, Chief Operating Officer

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

The meeting was called to order by Committee Chair Abdo at 12:21 pm. Committee Chair Abdo welcomed everyone in attendance. Roll call was completed.

**2. Review of Executive Committee Meeting Notes – April 7, 2016**

The notes were received and filed with no deletions, additions, and/or changes.

**3. Standing Updates**

1. **Review of Annual Operating Budget**
  - **Raoul Ortega, Finance Director**
2. Annual Audit
3. Review of Annual Report to the State Commission
4. Fiscal
5. Contract Compliance
6. Quality Assurance
7. Evaluation
8. Policy and Advocacy – Alternative Revenues
9. Personnel and Compensation

Mr. Ortega starts the presentation off by informing the Committee that this year's budget is very different from previous years. This year there will be a request for an administrative cost of 7.81%, which is the second lowest in administrative cost amongst all of the First 5s.

Mr. Genio then goes on to inform the Committee that the FY 16-17 budget supports the second year of the 2015-20 Strategic plan, providing resources to advance our efforts in ensuring that all children in LA County enter kindergarten and are ready to succeed. He says the budget is informed by the following key activities:

- Continued 2015-2020 Strategic Plan implementation and development of activities during Year 1
- Expiring Initiative Assessments

- Ongoing Organizational Development & Transformation processes
- Updated Long-Term Financial Projection
- Governance Guidelines

Mr. Genio explains to the Committee that the framework of the FY 16-17 budget is structured to reflect the various components of the 2015-20 Strategic Plan:

1. 2015-2020 Strategic Plan: Focusing for the Future
  - a) Strategic Plan Priority Outcome Areas
  - b) Strategic Plan Investment Areas & Support Costs
2. Legacy Investments
3. Research & Evaluation
4. Internal Operations

The following summary is presented to the Committee:

BUDGET CATEGORY	FY 2015-16				Proposed	
	Original		Revised		FY 2016-17	
<b>Program</b>						
<i>2015-2020 Strategic Plan: Focusing for the Future</i>						
a. Strategic Plan Priority Outcome Areas	\$ 57,649,000		\$ 51,119,000		\$ 82,430,000	
b. Strategic Plan Investment Areas & Support Costs	7,669,000		7,669,000		8,087,000	
<i>Total 2015-2020 Strategic Plan</i>	\$ 65,318,000	28%	\$ 58,788,000	27%	\$ 90,517,000	56%
<i>Legacy Investments</i>	136,518,000	59%	131,920,000	60%	41,144,000	26%
<i>Research &amp; Evaluation</i>	7,086,000	3%	6,752,000	3%	7,166,000	4%
<b>Total Program</b>	\$ 208,922,000	91%	\$ 197,460,000	90%	\$ 138,827,000	86%
<b>Operating</b>	20,794,362	9%	20,794,362	10%	21,794,933	14%
<b>TOTAL BUDGET</b>	<b>\$ 229,716,362</b>	<b>100%</b>	<b>\$ 218,254,362</b>	<b>100%</b>	<b>\$ 160,621,933</b>	<b>100%</b>

It is explained that the operating budget is about 14% of the overall proposed budget. This is the budget that would be covered today.

With regards to personnel services, the total budget is \$17.6 million, which is approximately 81% of the total budget. He says that this is an increase of \$1.3 million, or 8% from the revised FY 2015-16 budget. The reasons for the increases are as follows:

- Budgeted merit increases, consistent with prior year implementation of compensation study recommendations
- Updated mix of staff levels, as deemed necessary to effectively and efficiently advance the changing nature of First 5 LA's work

Mr. Genio explains to the Committee the methodology that was used to develop the budget for personnel as follows:

- Estimated 3% attrition rate was incorporated into the total budget for salaries and benefits
- Budgeted vacant positions between 92.5-100% of the median salary rate
- Utilized the median cost for health benefits for vacant positions

He then goes on to present the general operating expenses that is a total of \$1.3 million for FY 16-17, which is approximately 65 of the total proposed budget. He notes that this number reflects a decrease of \$17,850 from the revised FY 15-16 budget. This number includes the following costs:

- Utilities - \$165,000
- Workers' Compensation Insurance - \$100,000
- Corporate Insurance - \$76,000
- Hardware & Software Maintenance - \$220,000
- Building Repairs and Maintenance - \$180,000

Mr. Genio also briefly goes over the following budget categories:

**Professional Services:**

Total = \$803,052 (4%)

Increase of \$91,757 from revised FY 2015-16 budget

Includes costs such:

- Audit Services - \$70,000
- Legal Services - \$175,000
- Professional Development - \$266,000

**Consultant Services:**

Total = \$1.5 million (7%)

Decrease of \$285,505 from revised FY 2015-16 budget

Includes costs related to:

- General consulting needs - \$1.2 million
- Management and security fees for First 5 LA building - \$277,000

**Travel and Meeting Expenses:**

Total = \$430,521 (2%)

Decrease of \$42,720 from revised FY 2015-16 budget

Includes costs such as:

- Airfare, lodging and per diem - \$239,536
- Conference registrations - \$119,285
- Local meeting costs - \$71,700

**Administrative Cost limit:**

- \$12,543,251, or 7.81% of Draft FY 2016-17 Budget
- Consistent with previous years, per the Administrative Cost Policy approved by the Board in June 2012
- Increase due to the reduction of \$57.6 million in overall spending

Mr. Genio reminds the Committee that First 5 LA took a very conservative approach in developing the Administrative Cost limit. The Administrative Cost limit includes all costs for administrative departments, as well as 100% of salary/benefit costs for Executive and Senior Leadership, all Directors, and Administrative Assistants. He also says that First 5 LA is the 2<sup>nd</sup> lowest, with rates across all County Commissioners ranging from 5.5-25% of spending.

Mr. Genio concludes his presentation with next steps and says that staff plan on bringing the full proposed budget for FY 16-17 as info to the full Commission at the May 12 Commission meeting. Then, this item will come back to the Budget and Finance Committee on May 24. Finally, this item will go back to the full Commission as action on June 9.

Mr. Genio concludes his presentation and solicits feedback from the Committee.

Commissioner Dennis would like to know why the attrition rate is so conservative compared to what it has been in previous years.

Mr. Ortega says staff made the attrition rate conservative because First 5 LA is an organization in transition and because we do not know what the future state of this organization will look like or what the vacancy rates will look like in the coming months, even with the anticipated appointments of the new VPs and directors, the attrition rate remains conservative.

Commissioner Dennis says that he is concerned with this conservative attrition rate because of the way First 5 LA was previously criticized for not spending its money. He does not want First 5 LA today to be compared to the First 5 LA before John and Kim came aboard, since the percentage of vacancies have been a lot higher in the past and now aren't.

Commissioner Abdo would like to know if First 5 LA had budgeted 20% for each year of the strategic plan for 2015-20?

Ms. Belshé responds by informing Commissioner Abdo that it is not an equal accounting of expenses for each year of the current strategic plan.

Commissioner Au wants to know if a different term should be used for "attrition rate" since most people associate people leaving an organization, versus the rate at which vacancies are filled within an organization.

Mr. Wagner says that staff constructed the previous budget using the "attrition" term so is not sure if the term can be changed but will look into explaining it so that it is easily understood "attrition" here refers to the rate of which vacancies are filled.

Commissioner Abdo would like to know if there is any anticipated change in pension benefits?

Ms. Belshé reminds the Committee of how First 5 LA has approached benefits, given that many staff who have left First 5 LA have left for organizations with defined benefits. Overall, Ms. Belshé says that there will be no change to the current benefits package.

Commissioner Abdo says that since First 5 LA is an organization in transition, and anticipates it will be around, the organization should look into revising the entire benefits package.

Ms. Belshé says we could come back at a future Executive Committee meeting to talk about where we are with our current benefits package and how we fare against other organizations. Given we had just revised our benefits in 2014, Mr. Wagner agrees that it would be a good idea to come back with an update of where our benefits package stands relative to other organizations. Best practice states that this should be done 5-6 years and given the market has changed tremendously since we last updated our benefits package, it might be a good idea to test the external market again to see where our organization currently stands as a short term solution.

Commissioner Dennis says that since the merit increase is a part of the benefits package, he would like to get an update on this tool that is being used to determine how a staff person receives the merit increase.

Mr. Wagner says he can come back at a later date to give an update on the implantation of the Hay compensation recommendations.

Commissioner Dennis says that he is interested in receiving an update on the performance management tool since we are now giving merit increase, which makes our organization more vulnerable to a myriad of things from a legal perspective.

Ms. Belshé informs Mr. Dennis that she understands Commissioner Dennis' concerns but reassures him that although we are not concerned from a legal perspective, it is definitely a management, organizational, and leadership challenge. Nonetheless, it has been very productive. The general feedback has been positive and because everyone went through the process at the same time, it made it more concrete and fair for staff.

Commissioner Dennis would like to hear this update at a future meeting.

Ms. Belshé informs Commissioner Abdo that this is a discussion that is most appropriate first with the Executive Committee versus the entire Board.

There is no further discussion on this item.

**ADJOURNMENT:**

The meeting adjourned at 1:10 pm.

**NEXT MEETING:**

The next scheduled meeting will take place as follows:

Thursday, September 1, 2016  
10:00 am – 12:00 pm

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

Meeting minutes were recorded by Linda Vo, Board Relations Specialist, Board of Commissioners.

## Los Angeles County Children and Families First Proposition 10 Commission

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SUBJECT: Fund Balance	Policy Number: <b>2301x</b>
	Effective Date:
	Supersedes: 03/08/12
Initiating Authority: Finance Department	Page <b>1</b> Of <b>4</b>

### I. PURPOSE

The purpose of this policy is to classify fund balance categories in accordance with the reporting requirements of Statement 54 of the Government Accounting Standards Board (GASB) effective June 15, 2010.

### II. APPLICATION

The guidelines for adoption are consistent with [both GASB Statement 54 and the First 5 Association of California](#) Financial Management Guide and establish authority for committing or assigning fund balances.

### III. POLICY

In compliance with GASB 54, this policy sets forth the following:

The authorization level for committing or assigning a Fund Balance is established by the Board of Commissioners. Formal action of the Commission will be defined as an action taken at a publicly noticed meeting.

### IV. PROCEDURES

Fund balance is essentially the difference between the assets and liabilities reported in a governmental fund. There are five separate components of fund balance, ~~as~~ defined below in order of the strength of commitment. Each separate component is identified by the extent to which First 5 LA is bound to honor the constraints on the specific purposes on which amounts can be spent as follows:-

- Non-spendable ~~fund balance~~ (inherently unspendable)
- Restricted ~~fund balance~~ (external limitations on use)
- Committed ~~fund balance~~ (self-imposed limitations on use for a specified purpose)
- Assigned ~~fund balance~~ (limitation resulting from broadly intended use; specific purpose not yet identified)
- Unassigned ~~fund balance~~ (residual net resources-no restrictions)

## DEFINITIONS AND REPORTING

**A. Non-spendable:** That portion of fund balance that includes amounts that cannot be spent because they are either 1) not in a spendable form; or 2) legally or contractually required to be maintained intact.

Example: Cash advances to grantees and contractors ~~such as Los Angeles Universal Preschool and LA Care Health Plan.~~

**B. Restricted:** That portion of fund balance that reflects constraints placed on the use of resources (other than non-spendable items) that are either 1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or 2) imposed by law through constitutional provisions or enabling legislation. A Resolution approved via formal action by the Board of Commissioners is required to accept the restricted funds, acknowledging receipt ~~for fund balance purposes.~~

Example: Funds advanced by ~~First 5 California external entities~~ under specific agreements for services such as matching funds for specific initiatives.

**C. Committed:** That portion of fund balance that includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Commissioners. These constraints remain binding unless removed ~~in the same manner via the same type of formal action and instrument as defined by this policy.~~ A Resolution approved via formal action by the Board of Commissioners is required to commit funds ~~for fund balance purposes.~~

Resources in this category may include:

- 1) Resources committed for a specific purpose and/or future initiatives.
- 2) Funding that has been designated for legally enforceable contracts but not yet spent, including multi-year contracts.
- 3) Resources that have been committed by ~~the~~ Commission for specific agreements that have not yet been executed.
- 4) Resources committed as a local match for State Commission initiatives, programs or projects within the approved long range financial plan, funding recommendations or the strategic plan.

Example: Funds allocated to ~~programs specific initiatives for which the planned use is narrowly defined like Los Angeles Universal Preschool and various Countywide Initiatives, such as Children's Dental Care and Healthy Food Access.~~

**D. Assigned:** That portion of fund balance that includes amounts constrained by the Commission's intent to be used for ~~specific broadly defined purposes, but that are neither do not rise to the level of restricted nor~~ committed. The purpose of the assignment must be narrower than the fund itself. Assignments can be made via formal motion approved by the Commission; a Resolution is not required to assign funds. The Commission has elected not to designate a separate body, committee or an official who can specify such purposes.

Resources in this category may include:

- 1) Appropriation of a portion of existing fund balance sufficient to eliminate a projected deficit in the subsequent year's budget.
- 2) Resources assigned to a specific program, project or organization for which the

- Commission has approved a plan or budget.
- 3) Resources approved by the Commission for a long range financial plan (where formal approval is not required to modify the amount).

Example: Funds reserved for Commission use consistent with the Fiscal Year 2009-15 current Strategic Plan shall reflect the following parameters—90 percent Program (includes Countywide Strategies and Place-Based Investments), 5 percent Research and Evaluation and 5 percent Administrative.

The following table is from Because the Committed and Assigned fund balance components are commonly confused, the First 5 Association of California Financial Management Guide comparing provides the following chart to distinguish between Committed vs. Assigned these two categories:

<b>Comparison: Committed vs. Assigned</b>		
	<b>Committed</b>	<b>Assigned</b>
<i>A decision to use funds for a specific purpose requires action of governing body</i>	Yes	No
<i>Formal action of governing body is necessary to impose, remove or modify this constraint and formal action has taken place before end of reporting period</i>	Yes	No

- E. Unassigned:** That portion of fund balance that cannot be reported in any other classification but may reflect an internal restriction that requires a footnote to the Financial Statements.

Resources in this category for First 5 LA purposes may include:

- 1) Minimum Fund Balance Reserve: Must include 25 percent of the total Operating and Programmatic fiscal year budget, to be adjusted and approved annually. Reserve funds may be utilized for the following purposes.
  - a) Cash Flow: To mitigate delays in receiving revenues.
  - b) Extreme Events: To restore and continue operations, should an unanticipated event or natural disaster occur.
  - c) Budget Stabilization: To ensure a sufficient level of fund balance to meet the Commission obligations in the event of a revenue shortage.
- 2) Operating funds which includes personnel related cost, services and supplies.

## V. RESPONSIBILITIES

It is recommended First 5 LA establish a policy for its fund balances—In accordance with GASB 54 guidelines, the elements of the policy are created by the Commission for its own purposes and may, therefore, be revised by the Commission as needed in the future.

The Commission should undergo an annual reaffirmation process prior to fiscal year-end to review all levels of fund balance and determine what action is needed. As part of this reaffirmation process, the Commission should take formal action prior to the fiscal year-end to either modify the existing fund balance levels or maintain them. This reaffirmation process generally takes place in conjunction with the approval of the fiscal year Budget by the Board of Commissioners.



## Los Angeles County Children and Families First Proposition 10 Commission

SUBJECT: Policy and Guidelines for Adoption and Modifications of the Fiscal Year Budget	Policy Number: <b>A-2308x</b>
	Effective Date:
	Supersedes: 6/12/12, 1/12/12
Initiating Authority: Finance Department	Page <b>1</b> Of <b>4</b>

### I. PURPOSE

The purpose of this policy is:

- To set forth the requirement for development and authorization of the Budget for the Commission.
- To ensure adjustments to the Budget are formally approved by vote of the Board of Commissioners as appropriate.
- To allow for needed flexibility while providing sufficient controls to ensure accountability over the annual fiscal year Budget.

### II. APPLICATION

This policy applies to the First 5 LA fiscal year Budget, including both Program and Operating Budgets. This policy does not address multi-year allocations or other fiscal circumstances outside of the organization's fiscal year Budget.

### III. POLICY

#### **Development**

It is the policy of First 5 LA that the Budget will be developed and adopted annually by June 30 prior to the implementing fiscal year. First 5 LA's fiscal year will be from July 1 through June 30 of the subsequent calendar year. ~~The Program and Operating Budgets will include a rolling two-year plan of anticipated revenues and expenditures.~~ It is the policy of First 5 LA to hold at least one duly-noticed public hearing before adopting the proposed Budget and/or any adjustments per the guidelines below, and to provide copies of the proposed budgets and any revisions thereto to the members of the Commission.

Commented [MN1]: Changed from April 30

Commented [MN2]: Removal of two-year budget

The Budget will reflect the planned expenditures for First 5 LA and establish the anticipated resources and expenditures to implement the adopted Strategic Plan during the next fiscal year. The Budget and supporting process will be developed in accordance with adopted First 5 LA policies and procedures, relevant governmental accounting rules and regulations, and will reflect the best practices of First 5 Commissions throughout the State as detailed in the First 5 Financial Management Guide, as appropriate.

Prior to consideration of the Budget, staff will develop and present to the Board of Commissioners and the Board of Commissioners will review and approve a Long-Term

Financial Plan. The Long-Term Financial Plan will assess the long-term financial implications of current and proposed policies, programs, and funding assumptions. The Plan will provide a minimum of a five-year view of how resources will be spent to attain the objectives in the strategic plan, and should help inform the development of the fiscal year budget.

**Modifications to First 5 LA's fiscal year Budget:**

The Executive Director has the authority to make budget adjustments between line items in First 5 LA's annual Operating Budget in an amount up to \$25,000 in the fiscal year. Any budget adjustment, including additions or removals of line items, of \$25,000 or more requires formal approval of the Board of Commissioners, and will be accompanied by a narrative detailing the change. Movement of funds between the Programmatic and Operating portions of the fiscal year Budget is not permitted without formal approval of the Board of Commissioners.

Commented [MN3]: Change from the Operations Committee of the Commission

**Year-end Reconciliation of the fiscal year Budget:**

After the year-end reconciliation of the fiscal year budget, the Executive Director is authorized to use the unspent/uncommitted portion of the previous year's annual Operating Budget or unexpected one-time revenues, to fund one-time costs such as equipment or capital improvement costs. One-time costs funded from these two sources cannot exceed \$100,000 without approval of the full Board of Commissioners.

IV. PROCEDURES

The annual Budget will specifically identify program, operating and administrative costs. The Finance Department will be responsible for submitting to the Board of Commissioners a written budget calendar no later than the January Commission meeting, which will identify the planned dates of key budget events and deadlines. The budget will be prepared on a modified accrual basis of accounting and will be developed and submitted to the Board of Commissioners for approval no later than the June Commission meeting, in advance of the subsequent fiscal year.

Commented [MN4]: Change from April

The annual Budget shall include the following:

- Schedule of planned program expenses detailed by program including a description of the related program assumptions and service levels.
- Schedule of planned operating expenses identifying the assumptions, staffing levels, facility costs, and other costs associated with the regular operation of First 5 LA.
- Administrative cost calculation consistent with the First 5 LA's *Policy and Guidelines for Administrative Costs and Functions*.

Budget narratives and planning documents shall accompany the required schedules to effectively demonstrate the use of planned resources and to provide the assumptions behind the budget estimates, explain significant changes in budget line items, and detail how the resource allocation in the Budget relates to the goals and objectives in the Strategic Plan. The budget document will be used as a guide for expenditures throughout the budget period so that actual expenditures do not exceed the total adopted budget.

Procedures for modifications to First 5 LA's fiscal year Budget should mirror the annual budget process to the greatest extent feasible and will be determined and communicated by the Finance Department.

## V. RESPONSIBILITIES

The Board of Commissioners is responsible for considering and approving the annual fiscal year Budget.

The Budget & Finance Committee is responsible for reviewing the Budget prior to consideration by the Board of Commissioners and providing feedback to First 5 LA staff as necessary.

The Executive Director is responsible for ensuring that the funds appropriated through the Budget are used to further the goals and objectives of First 5 LA and are consistent with the Commission's Strategic Plan, priorities and expectations. The Executive Director, in coordination with the Director of Finance may make budgetary adjustments between budget line items in accordance with this policy and First 5 LA's Governance Guidelines.

The Finance Department is responsible for:

- Coordinating the development of the annual fiscal year Budget and for compiling the Budget document and relevant documentation for provision to the Board of Commissioners;
- Submitting to the Board of Commissioners a written budget calendar no later than the January Commission meeting, which will identify the planned dates of key budget events and deadlines;
- Managing the budget development process in accordance with the parameters outlined in this policy;
- Ensuring that approved budget data is properly uploaded into First 5 LA's financial accounting system;
- Determining and communicating relevant timelines and procedures to staff, both for the annual budget process and for modifications to the fiscal year Budget;
- Ensuring that approval of the Budget and any modifications to the approved Budget are conducted in accordance with First 5 LA's Fund Balance Policy; and
- Developing—in coordination with other First 5 LA staff and departments—and presenting to the Board of Commissioners the annual Long-Term Financial Plan.

Other First 5 LA departments are responsible for adhering to requested deadlines related to the budget process, and for updating the Finance Department of budgetary needs or modifications on a timely basis.

## VI. REFERENCES/LEGAL AUTHORITY

F5LA Policy and Guidelines for Administrative Costs and Functions  
F5LA Fund Balance Policy A-2301  
F5LA Governance Guidelines 03/2014  
First 5 Association of California Financial Management Guide

## VII. APPROVALS

\_\_\_\_\_  
Raoul Ortega, Director of Finance, Initiating Authority

\_\_\_\_\_  
Date

\_\_\_\_\_  
John Wagner, Chief Operating Officer

\_\_\_\_\_  
Date

\_\_\_\_\_  
Kim Belshé, Executive Director

\_\_\_\_\_  
Date

DRAFT

# Los Angeles County Children and Families First Proposition 10 Commission

## Board of Commissioners

### Policy and Guidelines for Adoption of the Program and Operating Budgets

#### 1. POLICY STATEMENT

##### *Development*

It is the policy of the Commission that Program and Operating Budgets will be developed annually that reflect the planned expenditures for the Commission and establish the anticipated resources and expenditures to implement the adopted Strategic Plan during the next and subsequent fiscal year. The Budget and supporting process will be developed in accordance with adopted Commission policies and procedures, relevant governmental accounting rules and regulations, and reflect the best practices of First 5 Commissions throughout the State as detailed in the First 5 Financial Management Guide.

Prior to consideration of the Budget, the Commission will develop and review a Long-Term Financial Plan. The Long-Term Financial Plan will assess the long-term financial implications of current and proposed policies, programs, and funding assumptions. The Plan will provide a minimum of a five year view of how resources will be allocated to attain the objectives in the strategic plan.

It is the policy of the Commission that the Program and Operating Budgets be prepared and adopted annually by April 30 prior to the implementing fiscal year. The Commission's fiscal year will be from July 1 through June 30 of the subsequent calendar year. The Program and Operating Budgets will include a rolling two-year plan of anticipated revenues and expenditures as well as authority to enter into agreements for the delivery of programs and consistent with the Strategic Plan.

The budget shall be balanced where operating revenues are equal to, or exceed, operating expenditures.

It is the policy of the Commission to hold at least one duly-noticed public hearing before adopting the proposed Program and Operating Budgets and/or any adjustments, and provide copies of the proposed budgets and any revisions thereto to the members of the Commission. Any changes to the Approved Budget must be review and approved consistent with the related Board approval policy on "Formal Approval of Additions, Changes, or Deletions to Allocations and the Annual Program Budget"

and/or “Modifications to the Commission’s Annual Operating Budget” (approved January 2012).

## 2. PURPOSE

The purpose of this policy is to set forth the requirement for development and authorization for budget for the Commission.

## 3. APPLICATION

This policy applies to the First 5 LA Program and Operating Budgets.

## 4. RESPONSIBILITIES

The Board of Commissioners is responsible for adopting the Annual Program and Operating Budgets. The Budget & Finance Committee will review the budget prior to consideration by the Commission. The Chief Executive Officer is responsible for using the funds allocated through the Program and Operating Budgets to further the goals and objectives of the Commission.

## 5. PROCEDURE

The Chief Executive Officer, Director of Finance, and Finance staff will be responsible for preparing and presenting to the Budget & Finance Committee and the Commission a Long-Term Financial Plan prior to the preparation of the Operating Budget. The Long-Term Financial Plan will be developed by the Finance Department, under the guidance of the Budget & Finance Committee, and will include a revenue and expense forecast for a minimum of five years, consistent with the Commission’s adopted Strategic Plan.

The annual budget will include specifically identify program, operating and administrative costs. The Finance Department will be responsible for submitting to the Commission a written budget calendar no later than the January Commission meeting. The budget calendar is a schedule will identify the planned dates of key budget events and deadlines. The calendar will also specify the key budget tasks in the budget process, when they must be completed, and who is responsible for completing each task. The budget will be prepared on a modified accrual basis of accounting and will be developed and submitted to the Commission no later than the April Commission meeting, in advance of the subsequent fiscal year.

The annual budget shall include the following:

- Schedule of Program Expenses detailed by program including a description of the related program assumptions, service levels, and outcomes to be achieved.

- Schedule of Operating Expenses identifying the assumptions, staffing levels, facility costs, and other assumptions.
- Administrative cost calculation consistent with the Commission's Policy and Guidelines for Administrative Costs and Functions.

Budget narratives and planning documents shall accompany the required schedules to effectively demonstrate the use of planned resources and provide the assumptions behind the budget estimates, explain significant changes in budget line items, and explain how the resource allocation in the budget relates to the goals and objectives in the strategic plan. The Chief Executive Officer, with the support of the Finance Department, will be responsible for the overall development of the budget document consistent with the Commission's priorities and expectation.

Finance staff will be responsible for administering and monitoring the adopted budget. The budget document will be used as a guide for expenditures throughout the budget period so that actual expenditures do not exceed the total adopted budget.

# Los Angeles County Children and Families First Proposition 10 Commission

## Board of Commissioners

### Policy and Guidelines for Formal Board Approval of Additions, Changes or Deletions to Allocations and the Annual Program Budget

#### 1. POLICY STATEMENT

Any additions, changes or removals from all Allocations for First 5 LA's resources shall require the formal approval, by vote, of the Commission. Further, the Board must approve, by vote, any changes to the adopted annual Program Budget. This Policy does not address the classification of Fund Balances for GASB 54 purposes, which is covered under a separate policy.

#### 2. PURPOSE

This policy ensures that formal action by vote has been taken by the Board to establish new allocations, modify existing allocations or terminate a program by formally removing allocations. This policy also ensures that any adjustment to the Program Budget is formally approved by vote of the Board of Commissioners.

#### 3. APPLICATION

This policy applies to all First 5 LA Allocations and the annual Program Budget.

#### 4. RESPONSIBILITIES

The Board of Commissioners is responsible for approving new allocations, modifying existing allocations and eliminating allocations if a program is to be terminated. Further, the Board of Commissioners is responsible for changes to the adopted Program Budget. The Chief Executive Officer is responsible for assuring that the funds allocated through the adopted Strategic Plan further the goals and objectives of the Commission, and for ensuring that no changes, additions, deletions or other modifications are made without prior Commission approval.

#### 5. PROCEDURE

- A. The Chief Executive Officer, or his/her designee, in coordination with the Director of Finance and other Department Directors, and through collaboration with the Board of Commissioners, will make recommendations for new allocations or modifications to the current allocations as part of the reports

**Policy and Guidelines for Formal Board Approval of Additions, Changes or Deletions to Allocations and the Annual Program Budget**  
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that come forward to the Board in the published agenda of their meetings. If an adjustment to the Program Budget is required, the recommendation will be forwarded to the Board.

- B. The report to the Board will always include a Fiscal Impact section that will describe the origination of the allocation (including the purpose, amount and date) and any proposed changes to the allocation, if applicable (including the purpose, amount and date). If the annual Program Budget is affected, a detailed description of the change will also be included.
- C. The report will also incorporate the attachment included in this policy, "Request to Add New Allocation or Modify Allocation/FY Program Budget Form". The form will be completed by staff and approved by the Director of Finance via signature. If the request is approved by the Board, the necessary changes to the allocations and/or Program Budget will be completed in the accounting system by a Staff Accountant and approved by the Finance Manager.

Attachment (1)

- Request to Add New Allocation or Modify Allocation/FY Program Budget Form



# Los Angeles County Children and Families First Proposition 10 Commission

## Board of Commissioners

### Policy and Guidelines for Modifications to the Commission's Annual Operating Budget

#### 1. POLICY STATEMENT

- A. It shall be the policy of the Board of Commissioners that the Chief Executive Officer has the authority to make budget adjustments between line items in the Commission's Annual Operating Budget in an amount not to exceed \$25,000. Any budget adjustment between line items in excess of \$25,000 requires approval of the Operations Committee of the Board of Commissioners.
- B. It shall be the policy of the Board of Commissioners that the Chief Executive Officer, with approval of the Operations Committee of the Board of Commissioners, is authorized to use the unspent/uncommitted portion of the previous year's Annual Operating Budget or unexpected one-time revenues, to fund one-time costs such as equipment or capital improvement costs. One-time costs funded from these two sources cannot exceed \$100,000 without approval of the full Board of Commissioners.
- C. The unspent/uncommitted portion of the previous year's Annual Operating Budget will be used to fund an Operating Budget sustainability reserve. Any use of the Operating Budget sustainability reserve in an amount not to exceed \$100,000 in any one year requires the approval of the Operations Committee. Any use of the sustainability reserve in excess of \$100,000 in any one year requires the approval of the full Board of Commissioners.

#### 2. PURPOSE

This policy provides needed operating flexibility while providing sufficient controls to ensure accountability over the Annual Operating Budget.

#### 3. APPLICATION

This policy applies to the First 5 LA Annual Operating Budget.

#### 4. RESPONSIBILITIES

The Board of Commissioners is responsible for adopting the Annual Operating Budget. The Chief Executive Officer is responsible for using the funds allocated through the Annual Operating Budget to further the goals and objectives of the Commission.

## 5. PROCEDURE

- A. The Chief Executive Officer in coordination with the Director of Finance may make budgetary adjustments between budget line items in accordance with this policy.
- B. The Chief Executive Officer is required to request approval from the Operations Committee of the Board of Commissioners to use the unspent/uncommitted portion of the previous year's Annual Operating Budget or unexpected one-time revenues to fund one-time costs in an amount not to exceed \$100,000. The Chief Executive Officer is required to request approval from the full Board of Commissioners if the one-time cost amount is in excess of \$100,000.
- C. The Chief Executive Officer must request approval from the Operations Committee of the Board of Commissioners to use up to \$100,000 of the sustainability reserve. The Chief Executive Officer must request the approval from the full Board of Commissioners to use the sustainability reserve if the amount requested is in excess of \$100,000.
- D. All changes made to the Operating Budget will be documented by the attached form "Changes to the Operating Budget".

### Attachment (1)

- Request to Modify FY Operating Budget



Champions For Our Children

Request to Modify FY Operating Budget

Commission Meeting Date: (If over \$25,000)

Agenda Item: (If over \$25,000)

Department/Line Item:

Previously Approved Budget: \$ Adjustment to Existing Budget: \$

New Approved Budget: \$

Detailed Explanation of Adjustment:

Requested By:

Director of Finance - Signature & Date

Acknowledged By:

CEO - Signature & Date

For Internal Use Only:

Input By:

Staff Accountant - Signature & Date

Approved By:

Finance Manager - Signature & Date