

**FIRST 5 VENTURA COUNTY
ADMINISTRATION/FINANCE COMMITTEE
MINUTES**

February 15, 2019

Present: Commissioner Stenslie, Joseph Richards, Kara Ralston

Staff Present: Petra Puls, Jennifer Johnson

I. Call to Order/Welcome/Introductions

Commissioner Stenslie began the meeting at 9:32 a.m.

II. Approval of Minutes from January 18, 2019

A motion was made by Kara Ralston, seconded by Joseph Richards, to approve the minutes from the January 18, 2019 meeting. The motion carried unanimously.

III. Approval of Agenda

The agenda was accepted by consensus.

IV. Public Comments

There were no public comments.

V. Recommendation to Approve FY 2019-20 Annual Budgets

Jennifer Johnson began the presentation by reviewing the key messages, which provide the rationale and the foundational principles to prepare the Fiscal Year 2019-20 budgets recognizing that the approved strategic plan calls for a shift in investments to systems change and capacity building. Jennifer presented the proposed budgets for FY 2019-20 and stated that the overall operating budget includes the Operating Fund and Community Investment Loan Fund. She highlighted revenue projections for Prop 10 tax distributions and leveraged funding as well as inflows for the Community Investment Loan Fund. She reviewed proposed expenditures of \$8.2 million for the Operating Fund, which includes the previously approved allocations for program strategies, the place-based transition pilot, three proposals for the use of unspent funds, grant expenditures, evaluation, administration, and equipment. Jennifer stated the proposed expenditures and outflows for the Community Investment Loan Fund is budgeted at \$385,000, which projected loan disbursements of \$350,000 and up to \$35,000 for loan implementation costs. Jennifer reviewed the proposals for the use of unspent funds, which includes funds for the transition of preschool spaces, contractor close-out activities for sun-setting programs, and rollover of the Commission's website design.

Jennifer referred to the narrative assumptions for the internal budgets and reviewed the proposed staffing pattern and operating costs, noting costs that have been reduced or eliminated and explaining the methodology for allocating shared operating costs is based upon budgeted full-time equivalents (FTEs) within each internal cost center. Jennifer summarized the proposed staffing pattern and explained modifications for FY 2019-20. For regular positions, there are 9.55 full-time equivalents (FTEs) proposed, representing an overall decrease of 1.0 FTE. Jennifer went on to review detailed budgets for Administration,

Systems Change and Program Management, Results-Based Accountability, and Equipment. She summarized these budgets, highlighting the variances and providing explanations as to the proposed budgeted amounts. Based upon the proposed operating budget, the projected administrative cost rate is 7.5%. Jennifer referred to the attachment, "Examples of Systems Change Activities" that was reviewed by the Commission in April 2018 and stated that staff will be bringing forth a plan to prioritize these activities.

The operating budget shall be the final budget if there are no substantive comments by the Community Commission of Ventura County and the Board of Supervisors after their reviews.

A motion was made by Joe Richards, seconded by Kara Ralston, to approve the FY 2019-20 Annual Budgets. The motion carried unanimously.

VI. Recommendation to Approve Updated Financial Plan

Jennifer Johnson presented the long-range financial plan that has been updated as part of the budgeting process. Jennifer reviewed updates that have been made to the plan, including audited actuals for FY 2017-18, a forecast for FY 2018-19, and the proposed budget for FY 2019-20. She stated that updated revenue projections were recently received from First 5 California that indicate lower than expected revenues as a result of the passage of Proposition 56, an additional tax on tobacco products. For FY 2018-19, the State is projecting Ventura County will receive \$5.7 million. The plan uses the State's forecast for the current year. For FY 2019-20 and beyond, the plan continues the Commission's typical practice of estimating the annual rate of decline at 4%, as projections from the State for FY 2019-20 reflect an increase in Ventura County's birth rate which is highly unlikely given the historical trend of a decrease since 2007. The plan maintains the minimum fund balance of 6 months for working capital and \$1 million (or 20%) for a reserve/safety net. Jennifer noted that the Community Investment Loan Fund Plan reflects maintaining a revolving loan fund at \$1.3 million. Jennifer concluded by indicating that the sustainability fund will be depleted as of June 30, 2019.

A motion was made by Kara Ralston, seconded by Joe Richards, to approve the updated Financial Plan. The motion carried unanimously.

VII. Recommendation to Approve Administrative Policy & Cap for FY 2019-20

Jennifer Johnson reported that county commissions are required to adopt a policy establishing a limit on the percentage of the commission's operating budget that may be spent on administrative functions. Jennifer provided background information on the Commission's historical rate and the definition of administrative costs, which are not intended to include programmatic or evaluation costs. She reviewed proposed updates to the policy that have been identified as opportunities to clarify certain aspects of the policy.

Because this percentage is derived by taking total administrative costs over the total operating budget, economies of scale have enabled the Commission to operate on a cap of 5.5% since its inception, with annual spending levels running between \$11 million and \$13 million. As the Commission transitions to a reduced overall spending level beginning in FY 2019-20, it is necessary to revisit the cap and set a new limit. Data collected from First 5 Commissions in 2015 reports average caps ranging from 9.5% to 22.5% for all allocation groups. Ventura County was reported in the allocation group that ranges from \$5.5 to \$9.9

million. The average cap for this group was 11.6% and the median was 15.0%. When controlling for Ventura County within this allocation group, the average cap rises to 12.7%.

Based on the proposed operating budget (inclusive of the Operating Fund and the Community Investment Loan Fund), the projected administrative rate for FY 2019-20 is 7.5%. Since the rate will be based upon actual operating expenditures, it is recommended that the limit be set higher than projected due to budget variances and the probability that some initiatives and programs will not expend their full allocation. A proposed limit of 12.0% would allow for this budget variance and align closer to other commissions that are similar in allocation size, which is consistent with the percentage that was discussed by the Committee last month.

There was a motion made by Joe Richards, seconded by Kara Ralston, to approve updates to the administrative cost policy and establish the administrative cap at 12% for FY 2019-20. The motion carried unanimously.

VIII. Discussion on Close-out Procedures for Discontinued Programs

Jennifer Johnson reviewed the process that has been developed to support funded programs and help guide them through the close-out process for contracts that will sunset June 30, 2019. Jennifer referred to a comprehensive timeline and close-out checklist tool that have been developed in order to facilitate the process and help ensure that important contract provisions and associated deadlines are met. The timeline describes the key tasks for both parties and the associated due dates. This checklist tool also includes an attachment with excerpts from the boilerplate contract that are related to closing out the contract.

Jennifer reviewed the proposed procedure for conducting an analysis of the equipment, furniture and supplies that were purchased under the Agreement with First 5 funds in order to determine the extent to which the return of these items can be waived or if they need to be returned. The Executive Director has the authority to waive return when the fair market value is \$25,000 or under. The Commission must approve waivers over \$25,000. Contractors will be notified between April 1, 2019 and May 31, 2019, with priority placed on notifying contractors who will maintain existing Neighborhoods for Learning space and/or facilities to continue to host First 5 services under the Commission's redesigned implementation model.

The Committee discussed the analysis and potential issues/costs associated with funded partners returning items. Petra assured the Committee that the intent is to provide waivers unless the site will be continued to host First 5 services and the space would need to be preserved. The Committee felt the documents were a generous, helpful gesture in supporting programs and well thought out.

IX. Review of Financial Reports as of December 31, 2018

Jennifer Johnson presented the financial statements of December 31, 2018. Jennifer referred to the balance sheet and the statement of revenues and expenditures. She also referenced the November 2018 expenditure report, noting that the report largely reflects funded partner activity through quarter two. She gave an overview of the statements and the report, providing explanations as to variances.

X. Update on Commission Activities

Petra Puls referred to the January 2019 Report from Commission Staff. Petra provided an update on the FY 2019-21 transition planning and progress that has been made. She gave an update on the Take 5 and Read to Kids! early literacy campaign and reported on recent work with Center for the Study of Social Policy (CSSP) and others to highlight Ventura County's accomplishments, which is featured in recent national publications. Petra concluded her report by recognizing the late Barbara Wagner for her leadership and commitment to First 5.

XI. New Business/ Miscellaneous

There was no new business.

XII. Closure

Commissioner Stenslie ended the meeting at 10:50 a.m.

XIII. Next Meeting

Friday, March 1, 2019, 9:30 a.m. – 11:30 a.m. at First 5 Ventura County
(This meeting was subsequently cancelled)