

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

March 9, 2020

Present: Commissioner Stenslie, Pamela Grothe, Joseph Richards

Staff Present: Petra Puls, Jennifer Johnson

I. Call to Order/Welcome/Introductions

The meeting began at 9:36 a.m.

II. Approval of Minutes from December 9, 2019

A motion was made by Pamela Grothe, seconded by Joseph Richards, to approve the minutes from the December 9, 2019 meeting. The motion carried unanimously.

III. Approval of Agenda

A motion was made by Joseph Richards, seconded by Pamela Grothe, to approve the agenda. The motion carried unanimously.

IV. Public Comments

There were no public comments.

V. Review and Consideration of Long-Range Financial Planning Scenarios and Recommendation to Approve Updated Financial Plan

Jennifer Johnson presented five long-range financial plan scenarios for consideration in preparation for determining annual spending levels for the two-year strategic plan extension period – FY21-22 and 22-23. Jennifer stated that Proposition 10 revenues need to be re-estimated in light of the significant decline realized in the first quarter of the fiscal year. The scenarios model various revenue projections to determine whether the anticipated spending level of \$5.3 million needs to be adjusted. Jennifer referred to the chart summarizing the five scenarios and discussed the underlying assumptions for projecting the decline in Proposition 10 tax distributions, including the resulting impact on spending levels for current and future years. To further inform the Committee's discussion, Jennifer also provided an update on the current status of Proposition 10 revenues. Following the Commission's approach of using conservative revenue projections, Jennifer stated that the staff recommendation is to utilize Scenario 2. This scenario forecasts Proposition 10 distributions at an overall 8% rate of decline for FY19-20. This 8% is comprised of a month over month decline of 25%, which is the approximate average realized for July through September 2019, offset by the actual backfill from Proposition 56 realized in FY19-20 of \$1.4 million. The Committee agreed with the staff recommendation and concluded there are sufficient funds to maintain the planned annual allocation of \$5.3 million for the extension period.

Jennifer referred to the financial plan and highlighted the updates made to the plan to reflect the FY18-19 audited actuals, noting the release funds that were tied-up in funded partner contracts, which ended June 30, 2019. She stated that budgeted expenditures for FY19-20 were adjusted based on actual requests for close-out funds. The plan reflects the local annual

spending level of \$5.3 million for both the two-year extension period and the subsequent three-year period (through June 2026) utilizing allocations considered at April 2018 Commission. The plan proposes \$105,000 in available unspent funds from Place-Based Transition Pilot be carried over to FY20-21 through FY22-23 to allow additional time to achieve coaching and technical assistance goals. The annual expenditure of \$100,000 for three (3) years would be covered by these unspent funds along with (and subject to approval of) funding from First 5 California's new IMPACT initiative roughly estimated at \$75,000 per year. The plan maintains the revolving Community Investment Loan Fund at \$1.3 million. The plan also maintains the minimum fund balance of six (6) months for working capital and a 20% (\$1 million) reserve/safety net.

Recognizing that costs rise over time and the associated potential loss of capacity with level spending amounts, the Committee discussed increasing spending levels as a long-term financial planning strategy. The Committee discussed the data from consumer price index and historical rate increases. The Committee felt an overall increase of 5% would be appropriate, recognizing that actual rate increases would be addressed during the annual budget process.

A motion was made by Pamela Grothe, seconded by Joseph Richards, to approve the proposed financial plan (Scenario 2) with an overall 5% increase in annual spending levels. The motion carried unanimously.

VI. Recommendation to Approve CPA Firm to Perform Auditing Services

Jennifer Johnson stated that a Request for Proposals (RfP) for auditing services was released in December 2019, requesting proposals for a five-year period, beginning with the 2019-20 fiscal year. Jennifer noted that the last bid process was completed in 2014, at which time Fanning and Karrh, CPAs were re-selected for a five-year term with a subsequent one-year extension. Jennifer reviewed the broad distribution/outreach that occurred and reported that four CPA firms submitted proposals by the required timeline. Jennifer reviewed the procurement procedures for selecting vendors. She stated that proposals were independently reviewed and rated by the review committee, which met in February to discuss the proposals and formulate a funding recommendation. Jennifer referred to the summary of proposals and reported that, of the four proposals submitted, two were determined to be viable for consideration based on score, completeness of the proposal, cost, and experience. She stated that the review committee favored the proposal that has substantial First 5 commission auditing experience, in which that experience represented First 5's that are comparable in size and structured as independent commissions. As such, the review committee recommended selecting Brown Armstrong, Certified Public Accountants, as the vendor to perform financial and compliance auditing services.

A motion was made by Pamela Grothe, seconded by Joseph Richards, to select Brown Armstrong, CPAs, for an engagement of up to five years, subject to annual renewal. The motion carried unanimously.

VII. Recommendation to Maintain Commission Investments

Jennifer Johnson stated that the Commission updated the Investment Policy in 2019. As part of the annual review of the Investment Policy, the Committee needs to determine for FY 2020-21 whether funds beyond the one-year operating requirement should be maintained in the County Pool, Local Agency Investment Fund (LAIF), or be invested externally. The Committee

reviewed data on current market rates for both long term securities and investment pools and determined that current market rates in longer term securities are quite low and do not support the external investment of funds, given when funds would need to be accessed. The County pool and LAIF are generally running on par with one another. In looking at the quarterly yields for FY 2018-19, in a couple quarters, LAIF slightly outperformed the County. Since Pool rates are very similar and there is efficiency in keeping funds with the County, staff recommended that funds be maintained in the Ventura County Treasury Pool for FY 2020-21.

A motion was made by Pamela Grothe, seconded by Joseph Richards, to maintain the Commission's investments in the Ventura County Treasury Pool for FY 2020-21. The motion passed unanimously.

VIII. Review of Financial Reports as of December 31, 2019

Jennifer Johnson presented the financial statements of December 31, 2019. Jennifer referred to the balance sheet and the statement of revenues and expenditures. She also referenced the November 2019 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.

IX. Update on Commission Activities

Petra Puls referred to the January 2020 Report from Commission Staff. Petra reported on leveraging opportunities and partnerships with Nemours, the Center for the Study of Social Policy, and the Packard Foundation. She provided an update on Census outreach and the Request for Proposal to redesign the Commission's website. Petra discussed office space, given that the current lease expires December 31, 2020. She concluded her report with an update on Help Me Grow implementation.

X. New Business/ Miscellaneous

There was no new business.

XI. Closure

The meeting ended at 10:50 a.m.

XII. Next Meeting

Friday, April 10, 2020, 9:30 a.m. – 11:30 a.m. at First 5 Ventura County
(This meeting was subsequently rescheduled for April 15, 2020, 2:00 p.m. – 4:00 p.m. via Zoom teleconference)