



FIRST 5 ALAMEDA COUNTY COMMISSION MEETING AGENDA

Thursday, February 23, 2012

**First 5 Alameda County
1100 San Leandro Blvd., Suite 120
San Leandro, CA 94577
Conference Room A**

9:00 AM – 11:30 AM

Commissioners: *Chair:* Pamela Simms-Mackey M.D., *Vice Chair:* Helen Mendel, CMD, Alex Briscoe, Keith Carson, Ricky Choi, M.D., Renee Herzfeld, Lori Jones, Deborah Roderick Stark, Albert Wang, M.D.

- 1. Public Comment**
- 2. Approval of Minutes from December 8, 2011**
- 3. Election of Officers**

CONSENT

- 4. FY 2011-12 Second Quarter Investment Report**
- 5. FY 2011-12 Second Quarter Financial Report**
- 6. FY 2011-12 Budget Modification**

INFRASTRUCTURE

- 7. Ethics Training**
- 8. Contract Authorizations**

PROGRAM

- 9. Early Care and Education Program Presentation**
- 10. FY 2013-2017 Strategic Plan Process Update**
- 11. State Commission & Association Updates**
- 12. Legislation and Public Policy Updates**

MISCELLANEOUS

- 13. Staff Announcements**

- 14. Communication from Commissioners**
- 15. Discussion of Office Space/Lease (CLOSED SESSION)**
- 16. Adjournment**



FIRST 5 ALAMEDA COUNTY COMMISSION MEETING MINUTES

Thursday, December 8, 2011

**First 5 Alameda County
1100 San Leandro Blvd., Suite 120
San Leandro, CA 94577
Conference Room A**

9:00 AM – 11:30 AM

Commissioners: *Chair:* Pamela Simms-Mackey M.D., *Vice Chair:* Helen Mendel, CMD, Alex Briscoe, Ricky Choi, M.D., Renee Herzfeld, Deborah Roderick Stark

1. Public Comment

Neva Bandelow from the Alameda County Child Care Planning Council spoke on behalf of the My Teaching Partner program and expressed her appreciation for the program. She read two statements from program participants.

2. Approval of Minutes from September 22, 2011

Commission Action: The Commission approved the September 22, 2011 minutes upon motion by Vice Chair Mendel, seconded by Commissioner Choi and unanimously carried (5 in favor, 0 opposed)

Consent

3. Personnel Policies Revision

Commission Action: The Commission approved the Personnel Policies Revision upon motion by Vice Chair Mendel, seconded by Commissioner Choi and unanimously carried (5 in favor, 0 opposed)

4. Contract Authorizations

Commission Action: The Commission approved the Contract Authorizations upon motion by Vice Chair Mendel, seconded by Commissioner Choi and unanimously carried (5 in favor, 0 opposed)

INFRASTRUCTURE

5. California Children's Movement (Children Now)

Mark Friedman, CEO introduced Ted Lempert, President of Children Now. He stated that Children Now has developed a very dynamic Children's Movement of California. Mr. Lempert

stated that Children Now is an organization that works throughout the state but is based in Oakland. He stated that Children Now is trying to improve the advocacy efforts throughout the state. He stated that this is a new concept of children's advocacy in California that comes from a several year strategic plan, where we looked at why children are not the priority in Sacramento. He stated that they looked closely at the fact that most people care about kids and prioritize kids however when it comes to policy decisions children always seem to come out on the short end. It was discovered that there are thousands of agencies serving kids in this state and that is tremendous for kids, however when it comes to advocacy this is a problem. He stated that with children's advocacy you have thousands of disbursed voices all urging policy makers to do slightly different things as opposed to other interest that are much more consolidated. He stated that this is not an attempting to consolidate the children's field but an effort to consolidate the field when it comes to an advocacy and policy voice, so that we can get to the point where policy makers are confronted with a vote of being "yes" for kids.

He stated that this concept is to have an, opt in approach, where we are asking key organization to connect through the Children's Movement. He stated that the next step will be to roll out different key policy issues for children and only when you agree you can lend your name to that effort.

Commission Action: The Commission approved the recommendation to officially join the Children's Movement of California upon motion by Vice Chair Mendel, seconded by Commissioner Herzfeld and unanimously carried (5 in favor, 0 opposed)

6. FY 2011-12 First Quarter Investment Report

Mark Rasiah, Financial Controller presented the FY 2011-12 First Quarter Investment Report. He stated that the Investment Report shows the performance of funds that are invested in the Alameda County pool and with two money managers, Cutwater Asset Management and Chandler Asset Management. At 2010-11 year end, the total market value of the funds with Cutwater and Chandler was \$ 37,095,384. There were no withdrawals during the first quarter ending September 30th and the market value of the portfolio was \$37,131,388 at a cost of \$37,000,233.

He stated that since May 2011 portions of the combined portfolio have been selectively liquidated to prepare for the \$23.5 million cash transfer to the State under AB 99 in June 2012. This was done on the advice of the fund managers - to minimize long-term losses and maximize gains – resulting in nearly \$19.2 million cash in hand, as of September 30th.

He stated that the net investment earnings for the three months ended September 30, 2011 totaled \$129,412 representing \$128,008 from the money managers and \$1,404 from the Alameda County Treasurer's Office.

Commission Action: The Commission approved the FY 2011-12 First Quarter Investment Report upon motion by Vice Chair Mendel, seconded by Commissioner Choi and unanimously carried (5 in favor, 0 opposed).

7. FY 2011-12 First Quarter Financial Report

Mr. Rasiah stated that this is a report of Revenues and Expenses for the period July 1 – September 30, 2011. With 25% of the fiscal year complete, it is reasonable to expect both revenues and expenses to be at 25% of the budget projection, subject to timing lags. He stated that as of September 30, first quarter revenues were \$4.5m, or 27.3% of the revenue projection for the year.

He stated that at \$3.9m, total Expenditure for the quarter was 19% of the budgeted amount of \$20.67m. This is similar to expenditure trends in prior years.

Most line item expenditures are tracking within 30% of budget. The exception was Membership dues of \$20,320 paid to the First 5 Association which represents nearly all of the expenditure on this line item. General Expenses from the Infrastructure Budget will be allocated to all programs at year-end and will reflect a more complete picture of program costs at that point

Commissioner Briscoe arrived at the meeting at 9:40am.

Commission Action: The Commission approved the FY 2011-12 First Quarter Financial Report upon motion by Vice Chair Mendel, seconded by Commissioner Stark and unanimously carried (6 in favor, 0 opposed)

8. 2012 Cost of Living Adjustment Recommendation

Mr. Friedman presented the 2012 Cost of Living Recommendation to the Commission. He stated that it is our policy to bring a cost of living adjustment for our staff to the Commission each year. He stated that for past two years there was no recommendation for an adjustment. He stated that the cumulative increase in the Consumer Price Index (CPI) for the San Francisco – Oakland – San Jose metropolitan area since the last COLA was granted to staff is approximately 7.3%. He stated that we think it is prudent to recommend a 4% increase although other agencies may not offer COLAs this year. He stated that the fiscal impact of granting a 4% COLA for the six month period of the current fiscal year will be up to but not greater than \$125,000 and would be funded by budget saving from the last fiscal year.

Chair Simms- Mackey stated to provide some historical context for the new Commissioner that there was also decreased of 15 full time employees (FTE) and we have asked staff to assume additional responsibilities without compensation. She stated that the executive committee discussed this at length and recommended the 4% COLA.

Commission Action: The Commission approved the 2012 Cost of Living Adjustment Recommendation upon motion by Vice Chair Mendel, seconded by Commissioner Briscoe and unanimously carried (6 in favor, 0 opposed)

PROGRAM

9. FY 2010-11 State Annual Report

Commission Action: The Commission approved the FY 2010-11 State Annual Report Recommendation upon motion by Vice Chair Mendel, seconded by Commissioner Briscoe and unanimously carried (6 in favor, 0 opposed)

10. First 5 2010-2011 Annual Report Presentation

Janis Burger, Deputy Director and Chris Hwang, Evaluation and Technology Administrator presented the 2010-11 First 5 Alameda County Annual Report.

Chris Hwang stated that this is the 2nd year of the 4 year strategic Plan. She stated that this is the 2nd year having a web based annual report. She presented the 2010-11 Annual Report.

Vice Chair Mendel stated that there's a lot of material to digest. She suggested that the outcomes be highlighted in a different way so that they are easily identifiable. Commissioner Stark stated that she would like to see some data that training has resulted in improvements in practice. Chair Simms-Mackey stated that she like the old annual reports that had a lot of tables and graphs, and a blend of narrative and charts and graphs. She stated that as we move forward with the strategic plan we should invest in long term follow up. She stated that she would like a tool that will track the long term follow up so that we can say in the future; this is where these children are now.

11. FY 2013-17 Strategic Plan Process Update

Ms. Burger stated that First 5 is embarking on the development of our 2013-2017 strategic plan. Based on the current long range financial plan we know we must become smaller and more focused with our resources. However, with the overturning of AB 99 by the Fresno Superior Court (subject to appeal) we will likely revise that long range plan which will in turn help to shape our next strategic plan.

She state that the central question that will be posed and answered in 2013-2017 strategic planning process is, How can we make best use of our remaining resources to support an integrated and sustainable system of care for Alameda County children 0 to 5 and their families?

She stated that the strategic planning timeline describes the sequence of activities that will occur and products that will be developed between now and January of 2013 – when we will have a draft plan. The timeline also outlines where in the process input will be needed. The broad framework for 2013-2017 strategic plan will be informed by our new organizational redesign. Our current priority strategy areas: Continuum of Care and Linkages, Policy and Advocacy, and Community and Provider Capacity Building – provide a structure for the 2013-2017 plan.

She stated that among the steps of the process will be reviewing our organizational mission, vision, and outcomes, seeking input from staff and the community on the best use of First 5 funds, developing a draft plan that will then be presented to the community, staff, and Commission for input before finalizing the plan in January of 2013. As always final decisions about the strategic plan and budget will be made by our Commission.

She stated that to facilitate the process and ensure that Commissioners are fully integrated into the process we are establishing a Commission strategic plan task force. This is a vehicle that has worked well on past strategic plan development.

12. State Commission & Association Updates

13. Legislation and Public Policy Updates

Mr. Friedman stated that the state will determine if they want to appeal the AB99 decision.

Commissioner Choi asked if there is any discussion about being more proactive from a public relations perspective, he asked what are the lessons learned about this and doing things a little more proactive. He stated that at the last Commission meeting we talked about the State First 5's use of social media. He stated that we should be using funds to get our messages out there. He stated that never have we used funds to say here's a problem in the community and here's how First 5 in collaboration with our partners are addressing that program. We need to be more aggressive with our communication both regionally and in our county.

Ms. Burger stated that through blended funding we have hired an 80% social marketing person.

Commissioner Choi stated that the issue is not just the lack of awareness. He stated that even our strongest supporters are hesitant to support us. He stated that we are really doing some positive and great things and trying to be a part of the fabric of the community and really energizing them.

MISCELLANEOUS

14. Staff Announcements

Mr. Friedman presented Chair Simms Mackey with a framed edition of her cover article.

Mr. Friedman announced that the April 26th Commission meeting will be rescheduled to May 3rd to accommodate Commissioner Choi schedule.

Mr. Friedman announced that First 5 will make an annual contribution to the Alameda County food bank of \$6,000.

15. Adjournment

Chair Simms-Mackey adjourned the meeting at 10:59AM.



To: First 5 Alameda County Commission
From: Mark R Rasiah, Financial Controller
Date: February 23, 2012
Subject: Second Quarter Investment Report July 1, 2011 – December 31, 2011

REQUESTED ACTION

To review and approve the Investment Report for the first three months of FY2011-12.

BACKGROUND OF ACTIVITIES

The investment objectives of the First 5 Alameda County Agency are first, to provide safety of principal to ensure the preservation of capital in the overall portfolio; second, to provide sufficient liquidity to meet all requirements that may be reasonably anticipated; and third, to earn a commensurate rate of return consistent with the constraints imposed by the safety and liquidity objectives.

The performance objective of the First 5 Alameda County Agency portfolio is to earn a total rate of return that exceeds the total rate of return on a market benchmark index of 1-5 Year Government securities.

In 2005-06, First 5 Alameda County transferred \$34,000,000 from the Sustainability Fund held by the Alameda County Treasurer's investment pool to outside money managers. This report summarizes the activity and status of the investment portfolio as of September 30, 2011.

PORTFOLIO HIGHLIGHTS

The Investment Report shows the performance of funds that are invested in the Alameda County pool and with two money managers, Cutwater Asset Management and Chandler Asset Management. At 2010-11 year end, the total market value of the funds with Cutwater and Chandler was \$ 37, 095, 384. There were no withdrawals during the first six months ending December 31st and the market value of the portfolio was \$37,228,035 at a cost of \$37,156,098.

Since May 2011 portions of the combined portfolio had been selectively liquidated to prepare for the \$23.5 million cash transfer to the State under AB 99 in June 2012. This was done on the advice of the fund managers - to minimize long-term losses and maximize gains – resulting in nearly \$12 million cash in hand, as of December 31st. Following on the lowered risk of having to make payments under AB 99, the money managers have been instructed to resume investing cash once again.

Recent economic indicators show that the economic recovery has been anemic at best although the unemployment rate has just begun to shift downwards. Treasury rates declined over the September - December quarter, and the resultant yield curve flattened slightly, with long term rates declining more than short term rates. The yield curve is expected to hold relatively steady for the foreseeable future, since the rates on long term Treasuries continue to be higher than the short term ones. The Federal Reserve Bank continues to maintain its federal funds target rate between zero and 0.25% and has signaled its intentions to maintain this posture through the middle of 2014 aimed at reducing long term borrowing costs for consumers and businesses to support economic growth. This challenging economic environment may adversely affect the future performance of the investment portfolio.

INVESTMENT REPORT

Investment Income

Investment income is primarily derived from interest or yield payments on securities held in the investment portfolio. Typically, interest income from each security is received semi-annually. The money managers buy, sell and exchange securities consistent with the First 5 Alameda County Investment Policy in order to optimize overall yields.

Net investment earnings for the six months ended December 31, 2011 totaled \$298,321 representing \$296,521 from the money managers and \$1,800 from the Alameda County Treasurer's Office.

Investment Fees

Fees include those levied by the money managers (Cutwater and Chandler) and the fees levied by the account custodian (Union Bank of California). The total fees paid during this period were \$17,292.

Investment Activity

The Investment Activity shows all transactions affecting our portfolio. A purchase of securities increases the value of the portfolio whereas the sale of securities decreases the total portfolio value and may result in a gain or loss on the transaction.

Market Value and Unrealized Gains and Losses

There was an unrealized gain of \$71,935 at the end of December. This is determined by comparing the Cost and the Market Value of the portfolio on that date. It implies that a gain would have been realized, had the portfolio been liquidated on December 30th. Since the portfolio was not liquidated, this section is for information only. However, government entities are legally required (GASB 31) to report unrealized gains and losses on investments.

Yield Benchmarks

Investment yields are compared to the Local Agency Investment Fund (LAIF) yields in order to benchmark investment manager performance. Cutwater and Chandler’s yields (0.16% and 0.29%, respectively) have been less than the LAIF benchmark (0.49%) for the same period, primarily due to the large cash position in the respective portfolios.

The Alameda County Treasury Investment Pool is net of fees and has yielded 0.55%

FISCAL IMPACT

The total realized investment earnings at the end of the 2nd quarter was \$298,321.

REQUESTED ACTION

That the Commission review and approve the Investment report.

Submitted by:

Reviewed by:

Mark R Rasiah,
Financial Controller

Mark Friedman,
Chief Executive Officer

**First 5 Alameda County
Investment Report
For the Period July 1 - December 31, 2011**

	<u>Union Bank</u>	<u>Cutwater Asset Management</u>	<u>Chandler Asset Management</u>	<u>Total</u>
INVESTMENT INCOME:				
Interest Received		131,317	182,496	313,813
Income from Alameda County Treasurer				1,800
Reversal of 2010-11 Accrual				-
Total Investment Earnings				315,613
Investment Fees Paid	(2,734)	(6,039)	(8,519)	(17,292)
Net Investment Income (Net of Fees)				298,321
INVESTMENT ACTIVITY:				
Portfolios - Cost Basis at 7/01/11		19,189,348	17,720,944	36,910,292
Purchases		256,111	1,711,339	1,967,450
Sales		(3,013,523)	(1,934,483)	(4,948,006)
Maturities		(1,303,307)	(878,492)	(2,181,798)
Cash Disbursement		-	-	-
Net Cash Management		4,174,039	1,234,122	5,408,161
Portfolios - Cost Basis at 9/30/2011		19,302,668	17,853,431	37,156,099
COST VS. MARKET VALUE:				
Portfolios at Market 9/30/2011		19,293,004	17,935,030	37,228,034
Portfolios at Cost 9/30/2011		19,302,668	17,853,431	37,156,099
Unrealized Gain (Loss) at 9/30/2011		(9,664)	81,599	71,935
YIELD AND BENCHMARKS:				
Cutwater Asset Management (current yield)				0.16%
Chandler Asset Management (current yield)				0.29%
Local Agency Investment Fund (LAIF)				0.49%
Alameda County Treasurer's Pool				0.55%
1-5 Government Index (total rate of return)				0.17%

**First 5 Alameda County
Combined Holdings Report
As Of December 31, 2011**

<u>Holder</u>	<u>Asset Name</u>	<u>Shares</u>	<u>Cost</u>	<u>Market Value</u>	<u>Asset Type</u>	<u>S & P</u>	<u>Moody</u>
CUTWATER	FFCB	1,000,000	1,003,310	1,000,730	Other Fed Govt	AAA	Aaa
CUTWATER	FFCB	1,000,000	1,027,780	1,012,010	Other Fed Govt	AAA	Aaa
CUTWATER	FHLB	750,000	753,255	750,188	Other Fed Govt	AAA	Aaa
CUTWATER	FNMA	1,000,000	999,750	1,005,370	Other Fed Govt	AAA	Aaa
CUTWATER	GE Cap Corp	1,000,000	1,029,100	1,034,970	Corporate Bonds	AA+	Aa2
CUTWATER	TIAA GLOBAL MARKETS	250,000	269,955	257,940	Corporate Bonds	AAA	Aa1
CUTWATER	NY Life Global Bonds	250,000	249,870	252,238	Corporate Bonds	AAA	Aaa
CUTWATER	U.S. Treasury Notes	500,000	499,219	500,665	U.S. Treasury	AAA	Aaa
CUTWATER	U.S. Treasury Notes	500,000	498,125	507,130	U.S. Treasury	AAA	Aaa
CUTWATER	U.S. Treasury Notes	450,000	458,332	454,572	U.S. Treasury	AAA	Aaa
CUTWATER	U.S. Treasury Notes	500,000	499,219	502,440	U.S. Treasury	AAA	Aaa
CUTWATER	Highmark Money Market	12,014,752	12,014,752	12,014,752	Money Market		
CHANDLER	FFCB BDS	110,000	119,717	116,714	Other Fed Govt	Aaa	AAA
CHANDLER	FFCB BDS	130,000	131,538	138,291	Other Fed Govt	Aaa	AAA
CHANDLER	FFCB BDS	460,000	458,882	474,794	Other Fed Govt	Aaa	AAA
CHANDLER	FFCB BDS	150,000	158,349	157,178	Other Fed Govt	Aaa	AAA
CHANDLER	FHLB Note	175,000	184,985	184,954	Other Fed Govt	Aaa	AAA
CHANDLER	FHLB Note	150,000	148,374	157,622	Other Fed Govt	Aaa	AAA
CHANDLER	FHLB Note	350,000	342,595	366,086	Other Fed Govt	Aaa	AAA
CHANDLER	FHLB Note	280,000	281,623	281,134	Other Fed Govt	Aaa	AAA
CHANDLER	FHLB Note	75,000	75,435	75,304	Other Fed Govt	Aaa	AAA
CHANDLER	FHLB Note	115,000	119,784	119,912	Other Fed Govt	Aaa	AA+
CHANDLER	FHLMC NTS	250,000	247,478	260,275	Other Fed Govt	Aaa	AAA
CHANDLER	FHLMC NTS	105,000	114,156	105,842	Other Fed Govt	Aaa	AAA
CHANDLER	FHLMC NTS	105,000	107,660	109,186	Other Fed Govt	Aaa	AA+
CHANDLER	FHLMC NTS	110,000	115,487	116,499	Other Fed Govt	Aaa	AA+
CHANDLER	FHLMC NTS	110,000	112,848	113,490	Other Fed Govt	Aaa	AA+
CHANDLER	FHLMC NTS	40,000	40,036	40,018	Other Fed Govt	Aaa	AA+
CHANDLER	FNMA	150,000	151,142	157,193	Other Fed Govt	Aaa	AAA
CHANDLER	FNMA	100,000	98,324	104,368	Other Fed Govt	Aaa	AAA
CHANDLER	FNMA	65,000	66,771	66,697	Other Fed Govt	Aaa	AAA
CHANDLER	FNMA NTS	150,000	163,994	150,872	Other Fed Govt	Aaa	AAA
CHANDLER	FNMA NTS	150,000	148,161	155,558	Other Fed Govt	Aaa	AAA
CHANDLER	FNMA NTS	270,000	270,425	272,384	Other Fed Govt	Aaa	AA+
CHANDLER	Tenn Vy Auth Ser A	50,000	54,367	51,290	Other Fed Govt	Aaa	AAA
CHANDLER	Tenn Vy Auth Ser A	265,000	288,142	271,837	Other Fed Govt	Aaa	AAA
CHANDLER	Tenn Vy Auth Ser A	150,000	163,187	160,208	Other Fed Govt	Aaa	AAA
CHANDLER	Bank of America	335,000	347,519	339,506	Corporate Bonds	Aaa	AAA
CHANDLER	Bank of New York Mellon	110,000	123,924	118,692	Corporate Bonds	Aa3	A+
CHANDLER	Berkshire Hathaway Fin	220,000	220,663	233,235	Corporate Bonds	Aa2	AA+

**First 5 Alameda County
Combined Holdings Report
As Of December 31, 2011**

<u>Holder</u>	<u>Asset Name</u>	<u>Shares</u>	<u>Cost</u>	<u>Market Value</u>	<u>Asset Type</u>	<u>S & P</u>	<u>Moody</u>
CHANDLER	Berkshire Hathaway Fin	40,000	40,121	42,406	Corporate Bonds	Aa2	AA+
CHANDLER	Black Rocking NTS	110,000	113,304	117,461	Corporate Bonds	A1	A+
CHANDLER	Chevron Corp	35,000	36,828	37,429	Corporate Bonds	Aa1	AA
CHANDLER	Chevron Corp	115,000	121,007	122,981	Corporate Bonds	Aa1	AA
CHANDLER	Chevron Corp	95,000	99,962	101,593	Corporate Bonds	Aa1	AA
CHANDLER	Ebay Inc	125,000	124,781	125,856	Corporate Bonds	A2	A
CHANDLER	Goldman Sachs	330,000	336,292	334,693	Corporate Bonds	Aaa	AAA
CHANDLER	Goldman Sachs	90,000	91,716	91,280	Corporate Bonds	Aaa	AAA
CHANDLER	GECC FDIC	120,000	120,114	122,232	Corporate Bonds	Aaa	AAA
CHANDLER	GECC NTS	70,000	77,059	76,661	Corporate Bonds	Aa2	AA+
CHANDLER	General Elec Cap Corp	55,000	60,546	60,233	Corporate Bonds	Aa2	AA+
CHANDLER	Hewlett Packard	110,000	119,103	116,167	Corporate Bonds	A2	A
CHANDLER	IBM Corp	110,000	110,733	112,269	Corporate Bonds	Aa3	A+
CHANDLER	JP Morgan Chase & Co	115,000	113,420	117,152	Corporate Bonds	Aaa	AAA
CHANDLER	JP Morgan Chase & Co	110,000	111,143	114,048	Corporate Bonds	Aa3	A+
CHANDLER	JP Morgan Chase & Co	7,000	7,675	7,068	Corporate Bonds	A2	A
CHANDLER	JP Morgan Chase & Co	70,000	76,746	70,680	Corporate Bonds	A2	A
CHANDLER	PNC FDG	515,000	523,019	520,135	Corporate Bonds	Aaa	AAA
CHANDLER	Praxair	85,000	97,347	95,399	Corporate Bonds	A2	A
CHANDLER	US Bancorp	155,000	157,081	155,623	Corporate Bonds	Aaa	AAA
CHANDLER	US Bancorp	110,000	110,165	110,165	Corporate Bonds	Aa3	A+
CHANDLER	US Bancorp	155,000	155,233	156,449	Corporate Bonds	Aaa	AAA
CHANDLER	Wells Fargo	515,000	518,867	519,650	Corporate Bonds	Aaa	AAA
CHANDLER	Wells Fargo	175,000	182,084	182,576	Corporate Bonds	Aa3	AA-
CHANDLER	U.S. Treasury Notes	100,000	104,739	105,500	U.S. Treasury	Aaa	AA+
CHANDLER	U.S. Treasury Notes	105,000	106,543	107,691	U.S. Treasury	Aaa	AA+
CHANDLER	U.S. Treasury Notes	300,000	298,805	304,323	U.S. Treasury	TSY	TSY
CHANDLER	U.S. Treasury Notes	100,000	103,473	104,570	U.S. Treasury	Aaa	AA+
CHANDLER	U.S. Treasury Notes	400,000	395,938	407,656	U.S. Treasury	TSY	TSY
CHANDLER	U.S. Treasury Notes	450,000	451,371	463,131	U.S. Treasury	TSY	TSY
CHANDLER	U.S. Treasury Notes	110,000	117,168	117,330	U.S. Treasury	TSY	TSY
CHANDLER	Highmark Money Market	7,915,487	7,915,487	7,915,487	Money Market	Aaa	AAA
Total			37,156,098	37,228,035			



To: First 5 Alameda County Commission
From: Mark R Rasiah, Financial Controller
Date: February 23, 2012
Subject: Second Quarter Financial Report for July 1 – December 31, 2011

REQUESTED ACTION

To review and approve the Financial Report for the first three months.

BACKGROUND

This narrative and the attached statements report Revenues and Expenses for the period July 1 – December 31, 2011. With half the fiscal year complete, it is reasonable to expect both revenues and expenses to be at 50% of the budget projection, subject to timing lags. While this is the case with most of the budgeted items, material exceptions are noted below.

Revenue

As of December 31, six month revenues were \$6.8m, or 40.8% of the revenue projection for the year. Of this amount:

- Tobacco Tax receipts for the first five months of the fiscal year were \$380,000 more than that for the same period in the previous fiscal year.
- Income from Alameda County agencies were budgeted at nearly \$1.0m, representing
 - Behavioral Health Care Services (BHCS) grant for Early Connections - \$305,184.
 - Public Health Department grant for Project LAUNCH Substance Abuse Mental Health Administration (SAMSHA) - \$608, 237.
 - SART Linkage Line - \$100,000.
- The Federal Grants Budget represents the reimbursable amount from the second earmark for the SART program.

- A Private Grant from the Long Foundation to expand some school readiness sites was budgeted along with a grant for Help Me Grow from the Kellogg Foundation.
- Revenues for Medi-Cal Administrative Activities (MAA) were budgeted at \$0.7m for FY 2011-12. This is subject to a timing lag, and the invoicing is expected to be completed in February 2012.
- Investment revenue income of nearly \$0.3m represents 60% of conservative budget projections.
- Sustainability funds from the First 5 Alameda County Sustainability Fund reserve will be used to bridge the gap between actual revenues and expenses at year-end, to the extent authorized by the Commission.

Expenses

Total expenditure for the first six months was \$6.6m, or 32% of the budgeted amount of \$20.67m. This is similar to expenditure trends in prior years.

Major line item expenditures are tracking within 50% of budget. The exceptions are: Membership dues of \$20,780 paid to the First 5 Association which represents nearly all of the expenditure on this line item; and Equipment Purchases which are primarily software licenses for MS Office upgrades to employee desktop computers in the workplace. General Expenses from the Infrastructure Budget will be allocated to all programs at year-end and will reflect a more complete picture of program costs at that point.

Summary

Revenues are at 41% of budget and expenses are at approximately 32% of budget. This is in line with prior years, and within the 50% progression of the fiscal year.

Fiscal Impact

None.

REQUESTED ACTION

That the Commission review and approve the Financial Report for the first three months of FY2011-12.

Submitted by:

Reviewed by:

Mark R Rasiah ,
Financial Controller

Mark Friedman, Chief Executive Officer

First 5 Alameda County
Revenue and Available Funds
For the Period July 1 - December 31, 2011

Agenda Item 5

Revenues	Budget	Actual	Variance	Percentage Received
Prop 10 Tobacco Tax	13,510,000	6,113,275	(7,396,725)	45.3% A
Interagency Income	1,013,421	153,861	(859,560)	15.2% B
Grants				
Federal - Earmark #2	500,000	0	(500,000)	0.0%
State - Cares Plus	272,000	0	(272,000)	0.0%
Private - Longs, Kellogg Fdn.	328,317	306,900	(21,417)	93.5%
	1,100,317	306,900	(793,417)	27.9%
Fiscal Leveraging				
Medi-Cal Administrative Activities (MAA)	700,000	0	(700,000)	0.0% c
	700,000	0	(700,000)	0.0%
Investment Revenue	500,000	298,321	(201,679)	59.7%
Total Revenues	16,823,738	6,872,357	(9,951,381)	40.8%

Available Funds				
Sustainability Fund	3,846,262	0	(3,846,262)	0.0%
Total Available Funds	3,846,262	0	(3,846,262)	0.0%

TOTAL REVENUES & AVAILABLE FUNDS	20,670,000	6,872,357	(13,797,643)	33.2%
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Notes:

- A - Tobacco tax revenues received include allocations through November 2011
- B - A major portion of the budget is for SAMSHA Project LAUNCH federal grant funds.
- C - MAA reimbursement for FY 2010-11, will be invoiced in Feb. 2012.

First 5 Alameda County

Budget Vs Actual Expenditure

For the Period July 1, 2011 - December 31, 2011

	Continuum of Care		Prov. Capacity Building		Policy. Advocacy. Comm.		Eval. & Technology		Administration		Infrastructure		T o t a l		% Spent to date
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	
Personnel Costs															
Salaries & Benefits	2,729,268	1,169,282	1,779,427	749,003	186,539	93,270	677,017	249,862	916,393	352,991			6,288,644	2,614,408	42%
Program Contracts/Grants															
Contracts	5,904,412	1,252,031	3,270,578	834,510			115,000	83,324			832,000	299,063	10,121,990	2,468,928	24%
Grants			2,338,822	915,626									2,338,822	915,626	39%
Professional Services Contracts	190,000	12,867	55,250							1,197			245,250	14,064	6%
Total Contracts/Grants	6,094,412	1,264,898	5,664,650	1,750,136	0	0	115,000	83,324	0	1,197	832,000	299,063	12,706,062	3,398,618	27%
Program Operating Costs	322,325	90,312	232,900	10,949			12,200	4,429	68,350	17,133			635,775	122,823	19%
TOTAL DIRECT PROGRAM COSTS	9,146,005	2,524,492	7,676,977	2,510,088	186,539	93,270	804,217	337,615	984,743	371,321	832,000	299,063	19,630,481	6,135,849	31%

INDIRECT COSTS

Communications	30,000	7,550	30,000	7,550	25%
Copying/Printing	30,000	11,431	30,000	11,431	38%
Equipment Leases/Rentals/Maint.	3,000	266	3,000	266	9%
Equipment Purchase	36,000	45,979	36,000	45,979	128%
Insurance	85,000	36,450	85,000	36,450	43%
Membership and Dues	22,000	20,780	22,000	20,780	94%
Professional Services	148,000	11,553	148,000	11,553	8%
Space Rental	660,000	321,470	660,000	321,470	49%
Miscellaneous	3,000	4,781	3,000	4,781	159%
Depreciation	22,519	0	22,519	0	0%
Total Infrastructure	1,871,519	759,323	1,039,519	460,260	44%

TOTAL

20,670,000	6,596,109	32%
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To: First 5 Alameda County Commission
From: Mark R. Rasiah, Financial Controller
Date: February 23, 2012
Subject: 2011-12 Budget Modification Recommendation

ACTION REQUESTED

To review and approve the following Budget Modification recommendation.

BACKGROUND

The operating budget for FY 2011-12 was adopted by the Commission in June 2011. As in prior years, First 5 Alameda County staff submit mid-year proposals to modify the adopted budget to address material changes in revenue, seek approval for unanticipated expenses that may have occurred and make necessary transfers and adjustments to reflect changes to program goals, since the adoption of the original budget.

REVENUE AND AVAILABLE FUNDS

The 2011-12 Adopted Budget projects revenue and available funding totaling \$20,670,000. The proposed budget modification changes this amount to \$21,415,000, an increase of \$745,000. Of this amount \$500,000 is expected from increased Prop 10 tobacco tax receipts for the current fiscal year and \$245,000 from Sustainability Funds.

EXPENDITURES

The 2011-12 Adopted Budget projected expenses totaling \$20,670,000. The proposed budget modification changes this amount to \$21,415,000, an increase of \$745,000. Please refer to the following summary of changes and the attached Proposed Budget Modification worksheet for Revenues and Available funds.

BUDGET CATEGORY/ SOURCE OF FUNDS	INCREASE AMOUNT	NET IMPACT ON BUDGET FOR FY 2011-2012	DESCRIPTION
<p>REVENUE \$500,000 from Prop 10 tobacco tax allocations.</p>	<p>\$500,000</p>	<p>Increases total Prop 10 revenues for the fiscal year.</p>	<p>The increase brings total projected Prop 10 revenues in line with actual revenue allocations received in the first half of FY 2011-12.</p>
<p>STAFFING \$19,000 - Prop 10.</p>	<p>\$19,000</p>	<p>Increases salary & benefit costs. (0.60 FTE)</p>	<p>Communications Specialist – To provide Communications Planning Support for Policy, Advocacy & Communications Strategy.</p>
<p>\$29,000 – SAMHSA/ Early Connections. \$35,000 – Prop 10</p>	<p>\$64,000</p>	<p>Increases salary & benefit costs by \$64,000 and is in addition to \$56,700 that was budgeted (1.0 FTE)</p>	<p>Help-me-grow/Early Connections Administrator – to provide oversight of SART and program components of Early Connections.</p>
<p>\$8,000 – Prop 10.</p>	<p>\$8,000</p>	<p>Increases salary & benefits cost by \$8,000 and is in addition to \$68,311 that was budgeted in FY 2011-12. (0.8 FTE)</p>	<p>Contracts Manager – The manager assists the Grants & Contracts Administrator with streamlining contracting and invoicing.</p>
<p>\$15,000 - SAMHSA/ Project LAUNCH</p>	<p>\$15,000</p>	<p>Increases salary & benefits cost by \$15,000 and is in addition to \$82,500 that was budgeted. (0.8 FTE).</p>	<p>Communications & Social Marketing Coordinator – Plan and implement communications strategies for Project LAUNCH and Help-me-grow. Funded through SAMHSA/Project LAUNCH and Early Connections. The full amount will be transferred from Contracts to Personnel.</p>
<p>\$13,000 – County Public Health Dept.</p>	<p>\$13,000</p>	<p>Increases salary & benefits cost by \$13,000. No change to FTE.</p>	<p>Eval. & Tech. Consultant – Limited engagement through Dec. 2011. Extension of FY2010-11 position to complete ECChange related work for ACPH. Funded through ECChange maintenance contract with Public Health.</p>

BUDGET CATEGORY/ SOURCE OF FUNDS	INCREASE AMOUNT	NET IMPACT ON BUDGET FOR FY 2011-2012	DESCRIPTION
\$33,000 – California Dept. of Education	\$33,000	Increases salary & benefits cost by \$33,000. Funded by Race to the Top Early-Learning Challenge (RTT-ELC) grant. (1.0 FTE)	RTT Coordinator - California Department of Education (CDE) has just released their funding formula for the Race to the Top Early-Learning Challenge (RTT-ELC) grant. The grant provides \$50,000 to F5AC for FY2011-12.
\$107,000 – Prop 10.	\$107,000	Increases salary & benefit costs by \$107,000 for the six month period Jan-June 2012.	The Commission authorized a 4% Cost of Living Increase. Employees had not received a COLA since 2008-09.
CONTRACTS \$300,000 – SAMHSA/ Project LAUNCH	\$300,000	Increases the Budgeted line items under contracts, and will be reimbursable under the Federal grant for Project LAUNCH.	Provides for contracts with: Jewish Family & Children’s Services for Early Childhood Mental Health Consultation; Oakland Parent s Together for strengthening families and parent cafes; Lifelong Medical for Centering pregnancy & centering parenting.
\$72,000 – Prop 10	\$72,000	Increases Budgeted SIS Contract Line item under Infrastructure by \$72,000	Social Interest Solutions (SIS) supports the operation, maintenance and enhancements of ECChange and ECCOnline and a portion of Pathways data system for First 5 AC. This proposal seeks to modify the original budget line item for the contract with SIS which was underfunded by this amount.
\$114,000 – Early Connections	\$114,000	Increases the budgeted line item under contracts for the Early Connections program.	To cover the cost of translation and interpretation services; Cultural competence activities; and General Consultants such as the Bright Research Group. Will be reimbursable under the federal grant for Early Connections.
Total	\$745,000		

BUDGET CATEGORY/ SOURCE OF FUNDS	INCREASE AMOUNT	NET IMPACT ON BUDGET FOR FY 2011-2012	DESCRIPTION
<u>BUDGET TRANSFERS</u>	\$10,000	No fiscal impact.	\$10,000 to be transferred from Operations Contingency to Professional Services to fund Organizational Development Activity.
	\$16,000	No fiscal impact. Transfer funds from Contracts to Personnel in the ECE program. No change to FTE.	Coaching Facilitator/Consultant – Limited engagement through June 2012. Extension of FY 2010-11 position to provide effective coaching techniques to ECE training series.
	\$20,000	No fiscal impact	Community Training Specialist position funded through the contract with Kidango. Transfer budgeted funds from Contracts to Personnel.
	\$25,000	No fiscal impact.	Transfer Professional Services Budget for Training Connections to the Training Institute Program Budget.
	\$55,000	No fiscal impact.	Transfer from Unexpended Ohlone College Contract funds to Cultural Access Services Program to provide for underfunding of the contract with Interpreters Unlimited.
	\$16,000	No fiscal impact.	Transfer from Unexpended Ohlone College Contract funds to fund ECC online enhancements to Quality Counts program.
<u>Total Transfers</u>	<u>\$140,000</u>	No fiscal impact.	Transfer from Unexpended Ohlone College Contract funds to pay for BHCS – Harris training in FY 2010-2011.

FISCAL IMPACT

The fiscal impact of the budget modification is an increase of \$500,000 to Revenue from increased Prop 10 Tobacco tax receipts and \$245,000 from Sustainability funds for a total of \$745,000 increase to revenue and expenses, bringing both to \$21,415,000.

RECOMMENDATION

That the Commission approve the Budget Modification Recommendation.

Submitted by:

Reviewed by:

Mark R Rasiah,
Financial Controller

Mark Friedman,
Chief Executive Officer

**Proposed Modifications to The Adopted Budget Revenues and Available Funds
For the Period July 1, 2011 - June 30, 2012**

Revenues	Adopted Budget FY 2011-12	Proposed Increase FY 2011-12	Revised Budget FY 2011-12
Prop 10 Tobacco Tax	13,510,000	500,000	14,010,000
Income from Alameda Co. Agencies			
- ACBHCS Early Connections(SAMHSA)	305,184		305,184
- ACPHD Project LAUNCH (SAMHSA)	608,237		608,237
- SART LINKAGE LINE	100,000		100,000
Total Income from Alameda Co. Agencies	1,013,421		1,013,421
Grants			
Federal			
- SART Earmark #2	500,000		500,000
State			
- CARES PLUS	272,000		272,000
Private			
- Long Foundation	308,317		308,317
- Kellogg Foundation	20,000		20,000
Total Grants	1,100,317		1,100,317
Fiscal Leveraging			
MAA	700,000		700,000
TCM			
Title IV-E			
Total Fiscal Leveraging	700,000		700,000
Investment Revenue	500,000		500,000
Miscellaneous Income			
TOTAL REVENUE	16,823,738	500,000	17,323,738
Available Funds			
Sustainability Funds	3,846,262	245,000	4,091,262
TOTAL REVENUES & AVAILABLE FUNDS	20,670,000	745,000	21,415,000

**First 5 Alameda County
Proposed Modifications to the
Expenditure Budget
For the Period July 1, 2011 - June 30, 2012**

Expenditures	Adopted Budget FY 2011-12	Proposed Changes FY 2011-12	Revised Budget FY 2011-12
Personnel Costs	6,288,644	377,500	6,666,144
Contracts	10,121,990	367,500	10,489,490
Grants	2,338,822		2,338,822
Professional Services Contracts	245,250		245,250
Program Operating Costs	635,775	(10,000)	625,775
Infrastructure Costs	1,039,519	10,000	1,049,519
TOTAL EXPENDITURES	20,670,000	745,000	21,415,000



To: First 5 Alameda County Commission
From: Janis Burger, Deputy Director
Date: February 23, 2012
Subject: Contract Authorizations

REQUESTED ACTION

To review and approve the following contract authorizations

BACKGROUND

Per our Financial Policies, Section VII. Purchasing and Contracting, the Commission must approve contract/award amounts in excess of \$50,000. The following awards require specific authorization from the Commission.

SOCIAL INTEREST SOLUTIONS (SIS) – \$83,750

First 5 Alameda County is requesting approval of a \$83,750 FY 2011-12 contract amendment with Social Interest Solutions to:

- 1.) Create a “Swiss Box” using web services to provide a universal framework so that more than two distinctly different systems can communicate with each other to exchange and compare information based on established rules and procedures. The Swiss Box is a concept that is a neutral zone that is not owned by any data system and provides a temporary holding place for data to be shared across systems.
- 2.) Enhance the ECC Online Quality Counts Module to allow various providers to document their work with various child care sites.
- 3.) Enhance the ECC Online Awards Module to display financial data from MIP (First 5’s accounting system) to allow for tracking of award expenditures.
- 4.) Expand Pathways referral system’s capability of supporting Help Me Grow to support additional programs such as the Prevention Resource and Referrals Services program implemented by Family Resource Network, a First 5 partner.

First 5 currently has a \$1,025,456 FY 2010-12 contract with SIS for maintenance, hosting and development of ECChange, ECCOnline and Pathways database systems (2009-13 Strategic Plan,

page 26). The addition of \$83,750 to the existing \$686,584 FY 2011-12 contract brings the aggregate FY 2010-12 contract amount to \$1,795,790 for which Commission approval is needed.

Fiscal Impact: Funding for the “Swiss Box”, Quality Counts Module and enhancements to the ECCOnline Awards Module is included in the FY 2011-12 budget modification recommendation. Funding for the Pathways referral system is currently budgeted and also paid for by the federal appropriation that supports the Help Me Grow program.

ACTION REQUESTED: Approve an aggregate contract amount of \$1,795,790 for Social Interest Solutions for FY 2010-12.

XANTRION – \$136,000 TOTAL PAYMENT

F5AC currently has a \$80,000 FY 2011-12 contract with Xantrion to provide information technology services to F5AC including but not limited to systems assessment and documentation, upgrade of local servers, update of equipment and IT policies to meet and exceed industry standards of practice and responding to IT help desk requests from staff (2009-13 Strategic Plan, page 26). During this fiscal year, Xantrion has also assisted F5AC with the purchase and installation of new computers with updated software for staff. The aggregate amount committed to be paid to Xantrion during FY 2011-12 is \$136,000 for which Commission approval is needed.

FISCAL IMPACT: None. All funds are budgeted.

ACTION REQUESTED: Approve an aggregate payment amount of \$136,000 for Xantrion for FY 2011-12.

ALAMEDA COUNTY HEALTH CARE SERVICES AGENCY - \$75,000.00

F5AC is requesting approval of a sole source contract with Alameda County Health Care Services Agency (AC HCSA) to manage the disbursement of funds for the Children’s SART “No Wrong Door” fund, which supports clarifying assessment and mental health treatment services for children referred to the Children’s SART Linkage Line (2009-13 Strategic Plan, page 15) who are not covered through Early Periodic Screening Diagnosis and Treatment (EPSDT) funding for children with full-scope Medi-Cal. The funding is administered in collaboration with Alameda County Health Care Services Agency/Behavioral Health Care Services to assure that all clients are first assessed for EPSDT funding eligibility to ensure the “No Wrong Door” monies are only used for children who are not eligible for EPSDT funding. First 5 currently has a FY 2011-13 \$2,124,608.46 (\$1,062,304.23 per year) contract with AC HCSA for the Special Start program to provide intensive, multidisciplinary support services for medically fragile infants through age three. The addition of a \$75,000 contract would bring the aggregate FY 2011-13 contract amount to \$2,199,608.46 for which Commission approval is needed.

FISCAL IMPACT: None. All funds are budgeted.

ACTION REQUESTED: Approve an aggregate FY 2011-13 contract amount of \$2,199,608.46 for Alameda County Health Care Services Agency.

Recommendation: That the Commission review and approve the following contract authorizations.

Submitted by:

Reviewed by:

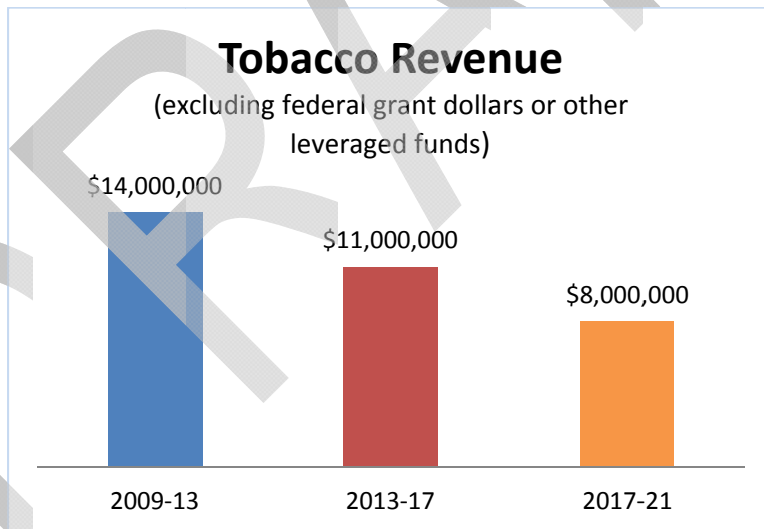
Janis Burger,
Deputy Director

Mark Friedman,
Chief Executive Officer

“The next generation of efforts to achieve transformative outcomes is likely to involve not only replication of individual model programs but also the more difficult task of building innovatively on effective current programs. This will involve strategically adding missing pieces and linking effective programs and programmatic strategies to each other, to reformed systems, and to an “infrastructure for change” with the capacity to monitor, improve, and sustain them at high quality – all in the interest of addressing the needs of more people more effectively and improving results for whole populations.”

*-Expanding the Evidence Universe: Doing More by Knowing More
Lisbeth Schorr, Frank Farrow December 2011*

As we begin our FY 2013-2017 strategic planning process we continue to build on the work we have accomplished over the past 11 years, the lessons learned and the impact of our programs. As funding declines we must become more focused in our approach. To facilitate the process we have identified the assumptions supporting the planning process.



1. The Mission, Vision and Guiding Principles for F5AC will remain the same, with updates to goals, outcomes and measures.
 - a. All outcomes and measures must be achievable, and realistically in alignment with theory of change articulated by each of the three strategies
 - b. We hope to work with county /community agencies to develop some common outcomes and indicators

2. As a declining revenue stream we must use our funding strategically to take quality programs to scale if we are to realize countywide impacts
3. We will continue to be organized in the same three strategy areas. Within each of the strategies we are building on several countywide initiatives in collaboration with county and community partners for which we have existing funding commitments. These initiatives are consistent with the directions recommended by the stakeholder survey results:
 - a. **Continuum of Care and Linkages**
 - b. **Community and Provider Capacity Building**
 - c. **Policy, Advocacy and Communication**

Current Programs with Strategies

COMMUNITY AND PROVIDER CAPACITY BUILDING

- Community Grants Initiative
- Early Childhood Mental Health Consultation
- ECE Community Based Informal Training
- Quality Counts Child Care Initiative
- ECE Higher Education (Community Colleges, Cal State East Bay)
- Training Institute
 - ◆ Training/Capacity Building
 - ◆ Coaching

POLICY, ADVOCACY AND COMMUNICATION

- First 5 policy agenda – local, state and national
- Linking with national initiatives (i.e. health reform)
- Systems change and program sustainability

CONTINUUM OF CARE AND LINKAGES FOR CHILDREN AND FAMILIES

- Cultural Access Services
- East Oakland Project LAUNCH (SAMHSA)
- Family Support / Home Visiting
- Help Me Grow Alameda County (aka Children’s SART)
 - ◆ Early Connections (SAMHSA)
- School Readiness
 - ◆ Summer Pre K
 - ◆ Transition Coordination

4. F5AC’s main focus is on prevention and early intervention to support each child’s developmental potential. Linkages to existing treatment services are a key component of our work, but First 5 does not fund treatment services covered by other sources
5. The following factors will be assessed in program recommendations and decisions around resource allocation:
 - a. Best Practices Documented Outcomes
 - b. Strong F5 AC outcomes
 - c. Sustainability both fiscal and programmatic
 - d. Options for leveraging
 - e. Systems change potential
 - f. Alignment with F5AC long term vision
 - g. Build the capacity of existing systems that serve children 0-5 and their families early childhood system of care
6. We have several existing funding commitments which are linked to building a countywide early childhood system of care with county and community partners. These initiatives which include Home Visiting/Family Support (Welcome Baby Network), Early Identification of developmental /social emotional concerns (Help Me Grow-Early Connections), Child care quality rating and improvement system (Race to the Top), and Summer Pre-K (Long Foundation). Each of these initiatives is in the planning and or pilot phase and is built on the past 11 years of First 5 investment. Continuation of other First 5 funded programs will be determined through the strategic planning process based on criteria and available funding.



CLOSED SESSION

To: First 5 Alameda County Commission
From: Mark Friedman, CEO
Date: February 23, 2012
Subject: Office Space and Possible Relocation

REQUESTED ACTION

To review the options for office space and direct staff on which option to pursue.

BACKGROUND

Our current lease for office space at 1100 San Leandro Blvd. in San Leandro expires in May of 2013. For some time we have been meeting with a variety of commercial real estate brokers and the owners of our current office building. After extensive research including reviewing other buildings we could potentially lease, and visiting a variety of existing buildings for sale and one potential building site we have three options for Commission consideration. These options have been analyzed by California Capital, a commercial real estate firm. Their four page financial analysis is attached to this agenda report. They are preparing other analyses that will be sent to you prior to the Commission meeting.

First Option

- **Renew our current lease** and remain at our current location.

Second Option

- **Purchase an existing building**, renovate it for our purposes, and move in May of 2013. The best available building we have found so far in our price range is at 1750 Broadway in downtown Oakland. We are still actively looking for other options.

Third Option

- **Arrange with a Developer a build to suit** arrangement where they will construct a building to our specifications. The best available site we have found so far is a Harbor Bay in Alameda, adjacent to the ferry terminal. We are also still looking for other potential building sites.

Among the most important criteria for making this decision are the following:

- **Financial**

Which option will provide the best long term return on investment and free up funds to use for serving young children and their families?

- **Convenience**

Which option will be the most convenient for staff and our community partners including those who come for training and meetings?

- **Perception**

How will our partners and stakeholders react to the decision of the Commission?

- **Mission**

Which option will best suit our evolving mission and enhance our work the most?

- **Timing**

Which options can be implemented in time for our May 2013 deadline?

Discussion of Criteria:

Financial

Options 2 and 3 are very close in terms of financial issues. Under both options we will save considerable money over the next ten years and even more over the following ten years. Continuing to rent at a high rate will cost us \$8,156,264, purchasing an existing building and renovating it will cost \$7,055,832, and building a new building will cost \$7,375,470.

The difference between Option 1 and the other two is that we will have nothing to show for our expenditures in Option 1, whereas in 2 and 3 we will own a valuable building free and clear. This building in the long run, at a minimum, could be worth every penny that was put into it. Furthermore, every year from year 10 on we would save approximately \$1 Million by owning our own building.

Another financial consideration is that we expect at some point in the future First 5 sustainability funds will once again be subject to redirection by either the Governor and Legislature or the voters. Spending \$7 million in sustainability funds on a building protects those funds from redirection and essentially could cost us substantially less than its full price

(i.e., \$3.5 million versus \$7 million, if we factor in a future 50% redirection of sustainability reserve funds.)

One advantage of Option 3 is that a new building built to Gold LEED environmental standards will more than likely appreciate in value much more than a retrofitted existing building.

Convenience

Option 1 is by far the most convenient as we would not have to move and our partners and staff are very comfortable coming to the existing location which is centrally located within the county with good freeway access. Being co-located with our partners at the Alameda County Health Care Services Agency and the East Bay Regional Center is a significant plus also. Ample free parking is available and BART is across the street. Restaurants and other amenities are readily available in nearby downtown San Leandro. Should we renew our current lease for 10 years, however, which is the proposal we have been presented with from our current landlords, we will experience a significant disruption in operations (and some additional costs) at the time of renewal due to the need to re-carpet and paint the premises.

Option 2 would mean a dramatic shift in commute patterns for our staff and partners. There are few existing buildings we have found that come with adequate free parking to accommodate our staff and those attending trainings and meetings. The site at 1750 Broadway includes 35 parking spaces, but is immediately above the 19th Street Oakland BART Station. There are many fairly expensive public parking lots with limited hours in the nearby vicinity that staff/partners would need to use should they choose to continue to drive to the office. Many restaurants and other amenities are readily available in downtown Oakland.

Option 3 at Harbor Bay in Alameda is isolated in the extreme western part of the county. Some of our staff and partners may experience an increase in commute times, as the site is approximately 11-15 minutes from our current location. The building developers do provide a free shuttle service to and from the Coliseum BART station that leaves approximately every half hour during the work day (8 times in the morning and 8 times in the afternoon and early evening.) The shuttle is also available at other times by prior arrangement. The developers' proposal includes ample free parking for staff and partners. Restaurants and other amenities are available in the Island shopping area about a mile away.

Perception

There is concern that building a brand new building could be considered as a misplaced priority by our community partners. The same concern could be there with purchasing an existing building. If the Commission chooses Option 2 or 3 we will have to craft an easily understood message of how the decision will actually save millions of dollars that will be available for services for children and families. Although it may be counter intuitive, the financial analysis shows that Option 1, which would be the safest in terms of perception, would actually be the most expensive and financially "luxurious".

Mission

Our mission is to serve young children and their families in Alameda County. Most of the direct services we invest in are either provided by community partners throughout the county or by our staff within facilities such as hospitals and child care facilities. Those who come to our office are not children and families, but are service providers who are coming for training and/or meetings. Would moving to a less central location cause fewer community partners to attend trainings and meetings? Probably not, but depending on where they are coming from they would likely have to spend more time travelling to get to our site. Our surveys have shown that about 95% of those attending trainings at our office drive cars. Having free parking available and relatively easy freeway access would likely be an important consideration for them.

Timing

As we will need to either have an extended lease in our current location or a new location ready by May of 2013 we need to look at the feasibility of each option to meet our timeline.

Option 1 would definitely meet our timeline as the landlord, Creekside Associates, will be glad to extend our lease (on their terms) at any time between now and the next few months as they will want to start looking for a new tenant once they know we do not want an extension.

Option 2 can most likely be implemented by May of 2013 depending on how long it takes to close escrow on an existing building and how long it takes to get all the architectural and engineering plans and the necessary permits and then to contract for and complete the renovations.

Option 3 can be implemented within our time frame if we accept the proposal from SRM Associates. They have already built 18 buildings on Harbor Bay and have all the necessary permits from the BCDC (Bay Conservation and Development Commission) and the city of Alameda. Building on another, as yet unidentified site, might be difficult to accomplish within our time frame as planning and zoning requirements might have to be met before moving ahead with the project.

FISCAL IMPACT

The fiscal impact of this decision over the next ten years will be from \$7.05 million to \$8.15 million. This will not require additional funds as we will need to pay for office space regardless of which option is selected. One difference in the fiscal impact of Options 2 and 3 is that both will require a substantial expenditure of funds initially since it makes the most sense for us to pay cash for a new office location. That would also shield the funds from a future state redirection.

RECOMMENDATION

- 1) That the Commission review the options for office space, decide on the preferred option, and direct staff to implement that decision.
- 2) If Option 2 or 3 is chosen, the Commission approves an initial \$100,000 to be allocated from Sustainability Funds to use for earnest money on a purchase.
- 3) That the Commission authorize staff to engage the services of Gary Bettencourt and California Capital to assist with whichever option is selected.

Submitted by:

Reviewed by:

Mark Friedman,
Chief Executive Officer

Mark R Rasiah
Financial Controller

PREPARED FOR:



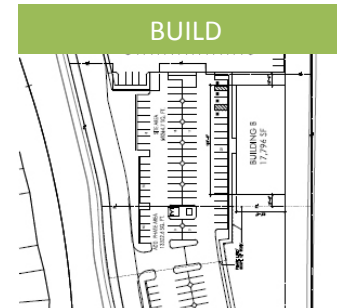
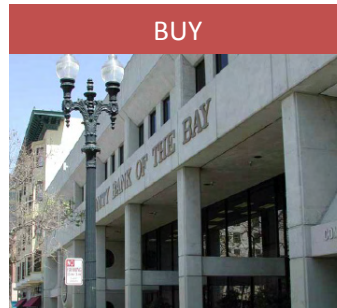
PREPARED BY:



CALIFORNIA
CAPITAL & INVESTMENT
GROUP

Gary Bettencourt
510.463.6366
gbettencourt@californiagroup.com

Damian Fink, Partner
510.463.6350
dfink@californiagroup.com



	RENEW	BUY	BUILD
YEAR 1	\$708,052	\$5,790,683	\$6,306,170
YEAR 2	\$710,229	\$127,093	\$107,419
YEAR 3	\$738,020	\$130,270	\$110,104
YEAR 4	\$766,445	\$133,527	\$112,857
YEAR 5	\$795,522	\$136,865	\$115,678
YEAR 6	\$825,271	\$140,287	\$118,570
YEAR 7	\$855,712	\$143,794	\$121,534
YEAR 8	\$886,865	\$147,389	\$124,573
YEAR 9	\$918,752	\$151,074	\$127,687
YEAR 10	\$951,396	\$154,850	\$130,879
TOTAL COST	\$8,156,264	\$7,055,832	\$7,375,470

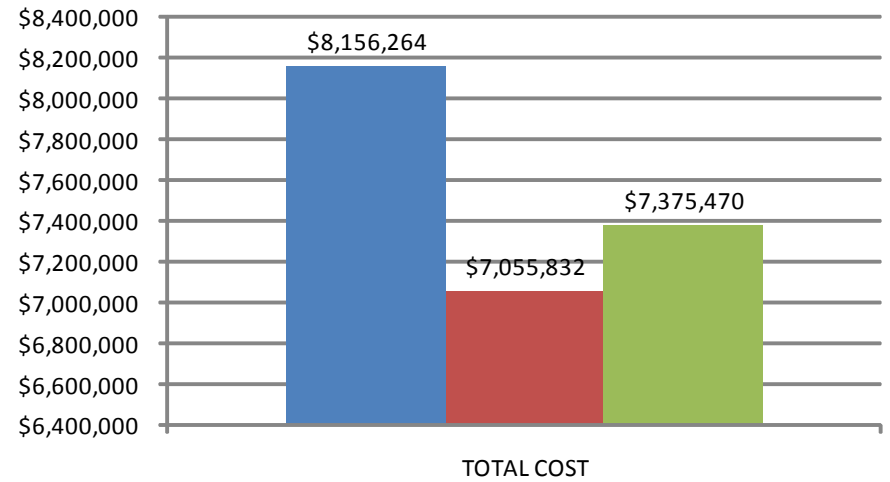
This is a high level analysis and is intended to show the estimated difference in real estate costs for the next ten years if First 5 renewed their existing lease, purchased a new facility or built a new building. These numbers will materially change as costs/assumptions are solidified and deal terms are negotiated.

RENEW

BUY

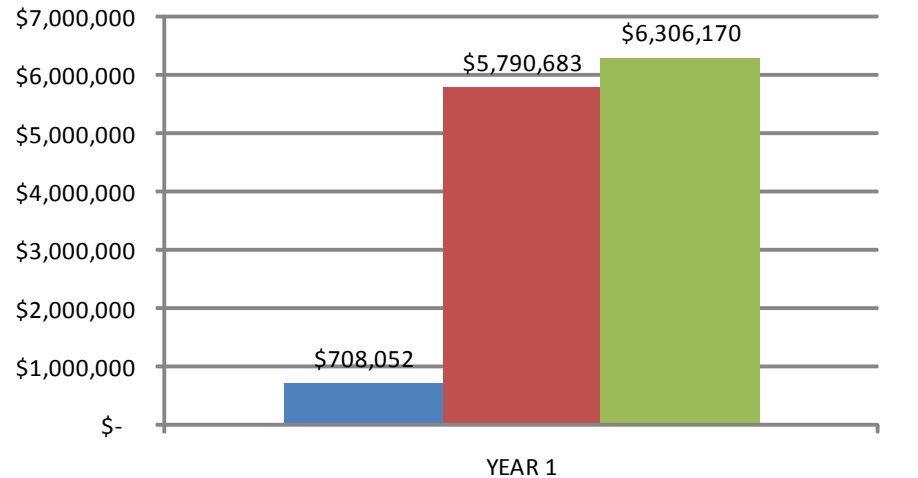
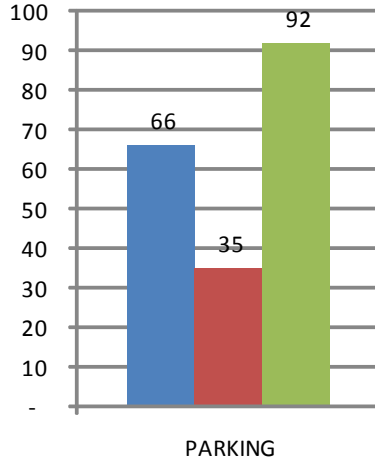
BUILD

	RENEW	BUY	BUILD
YEAR 1	\$708,052	\$5,790,683	\$6,306,170
YEAR 2	\$710,229	\$127,093	\$107,419
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TOTAL COST	\$8,156,264	\$7,055,832	\$7,375,470



RENEW VS. BUILD IRR

YEAR 1	\$(5,598,118)
YEAR 2	\$602,810
YEAR 3	\$627,916
YEAR 4	\$653,589
YEAR 5	\$679,844
YEAR 6	\$706,701
YEAR 7	\$734,177
YEAR 8	\$762,292
YEAR 9	\$791,065
YEAR 10	\$820,517
IRR	2.56%



SPACE		
Rentable Square Feet (RSF)	19,101	
Included Parking Spaces	66	
YEAR 1 - TENANT IMPROVEMENT COSTS		YEAR 1
Furniture & Equipment Moving & Down Time	\$ 25,000	\$ 25,000
		\$ 25,000
ONGOING - OPERATING EXPENSES		YEAR 1
Rent	\$ 35.76	\$ 683,052
Pass Through Operating Expenses Beginning Year 2	\$ 0.35	\$ 6,685
		\$ 689,737

CASH FLOW ASSUMPTIONS

Does Not Include Down Time For Re-Carpeting		
Estimated Annual Operating Expense Pass Through Increase	\$ 0.35	
Annual Rent Increase		3%
Terms are per Creekside Partners Nov 1, 2011 Offer		

	ANNUAL	BASE RENT	PASS THROUGH
YEAR 1	\$ 708,052	\$ 683,052	
YEAR 2	\$ 710,229	\$ 703,543	\$ 6,685.35
YEAR 3	\$ 738,020	\$ 724,650	\$ 13,370.70
YEAR 4	\$ 766,445	\$ 746,389	\$ 20,056.05
YEAR 5	\$ 795,522	\$ 768,781	\$ 26,741.40
YEAR 6	\$ 825,271	\$ 791,844	\$ 33,426.75
YEAR 7	\$ 855,712	\$ 815,600	\$ 40,112.10
YEAR 8	\$ 886,865	\$ 840,068	\$ 46,797.45
YEAR 9	\$ 918,752	\$ 865,270	\$ 53,482.80
YEAR 10	\$ 951,396	\$ 891,228	\$ 60,168.15
	\$ 8,156,264		

BUILDING	
Rentable Square Feet (RSF)	24,267
Included Parking Spaces	35.0

YEAR 1 - ACQUISITION & SETUP COSTS		YEAR 1
Estimated Purchase Price (Including Closing Costs)	\$ 3,750,000	\$ 3,750,000
Additional TI's & Renovation	\$ 1,698,690	\$ 1,698,690
Furniture & Equipment, Data & Cabling	\$ 150,000	\$ 150,000
Moving Costs	\$ 68,000	\$ 68,000
		\$ 5,666,690

ONGOING - OPERATING EXPENSES - TO FULLY SERVICED		YEAR 1
PROPERTY TAXES		
Property Taxes (% of Sale Price)	1.1391%	
Property Taxes (Special Assessments)	\$ 7,912	\$ 7,912
Operating Expenses (Fully Serviced Conversion)	\$ 4.78	\$ 116,081
		\$ 123,993

CASH FLOW ASSUMPTION	
Assumes Property Taxes Will be Waived	
Assumes The Use of Existing Furniture	
Assumes Purchase Price Includes Closing Costs	
Includes Special Assessments	
Estimated Annual Expense Increase	2.50%

ANNUAL	
YEAR 1	\$ 5,790,683
YEAR 2	\$ 127,093
YEAR 3	\$ 130,270
YEAR 4	\$ 133,527
YEAR 5	\$ 136,865
YEAR 6	\$ 140,287
YEAR 7	\$ 143,794
YEAR 8	\$ 147,389
YEAR 9	\$ 151,074
YEAR 10	\$ 154,850
	\$ 7,055,832

OPERATING EXPENSES			
	MO	YR	
PG&E	\$ 0.15	\$	1.80
Water	\$ 0.02	\$	0.30
Trash	\$ 0.01	\$	0.12
Janitorial	\$ 0.10	\$	1.20
Landscaping	\$ 0.03	\$	0.32
Maintenance	\$ 0.04	\$	0.49
Security	\$ 0.01	\$	0.12
Reserves	\$ 0.04	\$	0.42
	\$ 0.40	\$	4.78

BUILDING		
Square Feet	17,796	
Included Parking Spaces	66.7	
Easement For 25 Spaces	25.0	

YEAR 1 - ACQUISITION & SETUP COSTS		YEAR 1
Turn-Key Building Costs (Including Closing Costs)	\$ 5,983,371	\$ 5,983,371
Turn-Key Building Costs PSF	\$ 336	
Furniture & Equipment, Data & Cabling	\$ 150,000	\$ 150,000
Moving Costs	\$ 68,000	\$ 68,000
		\$ 6,201,371

ON-GOING OPERATING EXPENSES - TO FULLY SERVICED		YEAR 1
PROPERTY TAXES		
Property Taxes (% of Sale Price)	1.1391%	
Property Taxes (Special Assessemnts)	\$ 10,603	\$ 10,603
ASSOCIATION		
HBBP Association	\$ 3,136	\$ 3,136
Esplanade CAM	\$ 4,449	\$ 4,449
Operating Expenses (Fully Serviced Conversion)	\$ 86,610.59	\$ 86,611
		\$ 104,799

CASH FLOW ASSUMPTION	
Assumes Property Taxes Will be Waived	
Assumes The Use of Existing Furniture	
Includes Special Assessments	
Estimated Annual Operating Expense Increase	2.50%
Terms are per SRM's Feb 7, 2012 Offer	

	ANNUAL
YEAR 1	\$ 6,306,170
YEAR 2	\$ 107,419
YEAR 3	\$ 110,104
YEAR 4	\$ 112,857
YEAR 5	\$ 115,678
YEAR 6	\$ 118,570
YEAR 7	\$ 121,534
YEAR 8	\$ 124,573
YEAR 9	\$ 127,687
YEAR 10	\$ 130,879
	\$ 7,375,470

OPERATING EXPENSES		
	MO	YR
PG&E	\$ 0.15	\$ 1.80
Water	\$ 0.03	\$ 0.41
Trash	\$ 0.01	\$ 0.17
Janitorial	\$ 0.10	\$ 1.20
Maintenance	\$ 0.06	\$ 0.69
Security	\$ 0.01	\$ 0.17
Reserves	\$ 0.04	\$ 0.43
	\$ 0.41	\$ 4.87