



## FIRST 5 ALAMEDA COUNTY EXECUTIVE COMMITTEE MEETING AGENDA

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Thursday, June 11, 2020

Members of the public may access this meeting via:

Zoom Meeting: <https://zoom.us/j/93734016688>

Meeting ID: 937 3401 6688

9:00 AM – 10:30 AM

Commissioners:

*Chair:* Renee Herzfeld, *Vice Chair:* Cecilia Echeverría, Scott Coffin

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1. Public Comment
2. Staff Announcements
  - a. General Staff Announcements
  - b. Children’s Health and Child Care Initiative for Alameda County Update
  - c. COVID-19 Response Update
3. Approval of Minutes from April 9, 2020
4. FY 2020-2022 Budget Proposal – Final Reading
5. FY 2020-2029 Long Range Financial Plan – Final Reading
6. GASB 54 Fund Balance Commitment
7. FY 2020-2021, FY 2020-2022 Contract Authorizations
8. FY 2019-2020 July – March Investment Report and Investment Policy Revisions
9. FY 2020-21 ACERA 401(h) Account Authorization
10. Salary Guidelines Revisions
11. CEO Performance Evaluation – CLOSED SESSION (Gov Code 54754.5)
12. Adjournment

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Executive Committee Meeting Agenda

June 11, 2020

### Information about access:

Please contact Julia Otani at [julia.otani@first5alameda.org](mailto:julia.otani@first5alameda.org) or (510) 227- 6987 3 business days in advance if you need special assistance or translation/interpretation support so we can make reasonable arrangements to ensure accessibility. We will swiftly resolve any requests for accommodation to resolve any doubt whatsoever in favor of accessibility.



**First 5 Alameda County Executive Committee Meeting**  
**April 9, 2020 9:00 AM – 10:30 AM**  
**Zoom Webinar Meeting ID: 183 508 100**

**Commissioners Participating On-Call:** Chair: Renee Herzfeld, Vice Chair: Cecilia Oregon Echeverría, Scott Coffin  
**First 5 Staff Participating On-Call:** Kristin Spanos, Charla Black-Edwards, Christine Hom, Julia Otani, Mojgan Vijeh, Lea Yancey

AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP
<b>CALL TO ORDER</b>			
R. Herzfeld	Chair Herzfeld gaveled in and called the meeting to order at 9:03 AM.	None	None
<b>1. PUBLIC COMMENT</b>			
R. Herzfeld	There was no Public Comment.	None	None
<b>2. STAFF ANNOUNCEMENTS</b>			
K. Spanos	<b>A. General Staff Announcements</b> <ul style="list-style-type: none"> <li>▪ First 5 Alameda County (F5AC) has implemented remote work since 3/16/20. All agency functions are operating during the Shelter In Place.</li> <li>▪ F5AC is working with county stakeholders, along with Chair Herzfeld to build emergency childcare for the essential workforce. First 5 staff have been providing analytic assistance and Ms. Spanos has been providing connections with other systems leaders to support this effort.</li> <li>▪ F5AC helped to support the completion of a state-wide survey regarding provider and community need.</li> <li>▪ F5AC supported a provider webinar on 4/2/20 facilitated by Jennifer Caban of Alameda County Social Services with over 400 providers participating. The evaluation results of the webinar showed that the participants were very satisfied. Another webinar on business practices was held on 4/4/20 in partnership with Chair Herzfeld, Banana’s Inc. and the R&amp;R’s.</li> <li>▪ F5AC staff are reviewing all contracts to identify any potential savings, as well as redefining contract deliverables to focus on the COVID-19 response.</li> </ul>	None	None



AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP
<b>2. STAFF ANNOUNCEMENTS (Continued)</b>			
K. Spanos	<ul style="list-style-type: none"> <li>▪ Human Resources is tracking federal and state reforms impacting employment law. Policy staff is tracking and producing summaries of the federal and state executive actions.</li> <li>▪ Since working remotely, Ms. Spanos has provided weekly updates to the Commission to keep them apprised of the agency’s work and priorities. In addition, Ms. Spanos with agency leadership have continued to hold management meetings, identify informal ways for staff to connect and has prioritized consistent e-mail communication.</li> <li>▪ The federal single audit which is both a programmatic and financial audit was conducted and there were no findings. Ms. Spanos thanked everyone for their efforts.</li> <li>▪ F5AC is delaying the processing of the Parent Engagement RFP. F5AC is still committed to this effort but given the demand on staff time due to COVID-19, a pause in the process is necessary. Parent Engagement will be part of the budget for FY 2020-21 and an updated release date will be provided.</li> </ul> <p><b>B. Children’s Health and Child Care Initiative for Alameda County Update</b> The vote received over 64% in favor, receiving the simple majority needed to pass the community led initiative.</p> <ul style="list-style-type: none"> <li>▪ The Board of Supervisors will certify the vote on 4/21/20. Chair Herzfeld confirmed the date and added that if certified as a victory, there may be a delay on collecting the taxes or other conditions.</li> <li>▪ Ms. Spanos sent a letter to each of the Board of Supervisor members on 4/7/20, thanking them for their continued support in leadership related to early childhood and urging them to cast a “yes” vote.</li> </ul>		
<b>3. APPROVAL OF MINUTES FROM FEBRUARY 13, 2020</b>			
R. Herzfeld	<p><a href="#">[Attachment]</a> February 13, 2020 meeting minutes Chair Herzfeld asked if there was any public comment before taking a vote to approve the minutes. Chair Herzfeld facilitated the vote to approve the February 13, 2020 Executive Committee Meeting minutes. Vice Chair Echeverría abstained from voting on the minutes.</p>	<p>Motion: S. Coffin Second: R. Herzfeld Abstain: C. Echeverría Motion passed</p>	<p>None</p>



AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP
<b>4. COVID-19 RESPONSE</b>			
K. Spanos	<p><a href="#">[Attachment]</a> a. Administrative Recommendations</p> <p><b>Internal</b></p> <ul style="list-style-type: none"> <li>▪ Requesting temporary changes to our Employee Handbook policies to allow staff to sell the entire accrued balances of vacation and PTO effective through June 30, 2020.</li> <li>▪ Allow staff to take an advance of no more than one bi-weekly gross pay and a maximum of 6-months for repayment. Staff requests must be finalized by December 2020, with final pay back by June 30, 2021.</li> </ul> <p><b>External</b></p> <ul style="list-style-type: none"> <li>▪ Implement Community Resiliency Fund; requesting increase of up to \$1 million to FY 2019-20 budget to aid community-based organizations and public agency providers serving children and families with basic needs. Requesting increase to proposed FY 2020-21 budget by \$2,000,000 to include COVID-19 Community Resilience Fund efforts.</li> <li>▪ Extend administrative flexibility for CEO to authorize contracts up to \$250,000 (not subject to limits of aggregate approval) through June 30, 2021. Awards greater than \$250,000 will be brought to the Executive Committee for approval.</li> </ul> <p>Chair Herzfeld asked if there was any public comment before taking a vote to recommend. Chair Herzfeld facilitated the vote to recommend the COVID-19 Administrative Recommendations be brought to the full Commission for approval.</p>	Motion: C. Echeverría Second: S. Coffin Motion passed	The recommendations will be brought to the full Commission for final review and approval.
<b>5. CONTRACT AUTHORIZATIONS</b>			
C. Hom	<p><a href="#">[Attachment]</a> Ms. Hom provided an overview of the Contract Authorizations.</p> <ul style="list-style-type: none"> <li>▪ Applied Survey Research (ASR) - \$30,000</li> <li>▪ Early Quality Systems, LLC - \$10,000</li> <li>▪ City of Alameda - \$45,000</li> </ul>	ASR, Early Quality Systems and City of Alameda Motion: C. Echeverría Second: S. Coffin Motion passed	The contracts will be brought to the full Commission for final review and approval.



AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP
<b>5. CONTRACT AUTHORIZATIONS (Continued)</b>			
C. Hom	<p>Community Resiliency Fund</p> <ul style="list-style-type: none"> <li>▪ Alameda County Community Food Bank - \$350,000</li> <li>▪ SupplyBank.org - \$350,000</li> <li>▪ 4Cs of Alameda County - \$100,000</li> <li>▪ Bananas, Inc. - \$100,000</li> <li>▪ Hively - \$100,000</li> </ul> <p>Chair Herzfeld asked if there was any public comment before taking a vote to recommend. Chair Herzfeld facilitated the vote to recommend the following contracts be brought to the full Commission for review and approval: ASR, Early Quality Systems, City of Alameda, Alameda County Community Food Bank and SupplyBank.org. Commissioner Coffin recused himself from voting on the Alameda County Community Food Bank contract.</p> <p>Vice-Chair Echeverría facilitated the vote to recommend the following contracts be brought to the full Commission for review and approval: 4Cs of Alameda County, Hively and Bananas, Inc. Chair Herzfeld recused herself from voting on the 4Cs of Alameda County, Hively and Bananas, Inc. contracts.</p>	<p>Alameda County Community Food Bank Motion: C. Echeverría Second: R. Herzfeld Recused: S. Coffin Motion passed</p> <p>SupplyBank.org Motion: C. Echeverría Second: S. Coffin Motion passed</p> <p>4C’s, Hively and Bananas, Inc. Motion: S. Coffin Second: C. Echeverría Recused: R. Herzfeld Motion passed</p>	
<b>6. FY 2020-22 BUDGET PROPOSAL – FIRST READING</b>			
C. Hom	<p><a href="#">[Attachment]</a> Ms. Hom presented the FY 2020-22 Budget Proposal – First Reading</p> <p>Combined revenue and Sustainability Funds for FY 2020-21 are projected to be \$24.5 million. \$6.1 million of Sustainability Funds is budgeted to close the gap between revenue and projected expenses.</p>	<p>Motion: C. Echeverría Second: S. Coffin Motion passed</p>	<p>The FY 2020-22 Budget Proposal will be brought to the full Commission for review.</p>



AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP
<b>6. FY 2020-22 BUDGET PROPOSAL – FIRST READING (Continued)</b>			
C. Hom	<p>Major highlights of revenue include:</p> <ul style="list-style-type: none"> <li>▪ Sources of revenue include Prop 10 tobacco tax, as well as Prop 56 backfill in the amount of \$11.2 million.</li> <li>▪ Other First 5 income, in the amount of \$1.4 million, is from the second First 5 California IMPACT grant, the Incentive Layer grant and the Local Regional Training and TA Hub.</li> <li>▪ Approximately \$3.8 million of revenue from interagency sources, which includes various Alameda County departments to support program work is expected to be received.</li> <li>▪ \$230,000 is budgeted from private grantors including the Center for the Study of Social Policy and Sunlight Giving.</li> <li>▪ Fiscal leveraging reimbursement in the amount of \$1.5 million is budgeted based on estimates of MAA invoices submitted for FY 2018-19.</li> <li>▪ No investment revenue is budgeted based on the current financial climate.</li> <li>▪ Miscellaneous revenue is budgeted at \$120,000 which includes First 5 Association rental income and one-time donations to the 2021 Fatherhood Summit.</li> </ul> <p>Major highlights of expenditures include:</p> <ul style="list-style-type: none"> <li>▪ Personnel costs are proposed at \$10.4 million or 42% of budget. Salaries are budgeted based on actual amounts and benefits are budgeted at 50% of salary.</li> <li>▪ Program related contracts and grants are proposed at \$12.3 million or 51% of budget.</li> <li>▪ Program operating costs are proposed at \$652,000 or 2.6% of budget.</li> <li>▪ Infrastructure costs are approximately \$1 million and are reflected in the Administration, Information &amp; Technology strategy budget.</li> <li>▪ An administrative cost cap of 10.73% has been set. Program costs represent 81.71% and Evaluation costs represent 7.56% of the proposed budget.</li> </ul> <p>F5AC is requesting approval in principle of the second year of the cycle at the identical revenue and expense amounts as FY 2020-21 to enable the agency to engage in two-year awards that span FY 2020-2022. The full FY 2021-22 budget will be brought to the Commission for consideration beginning in April 2021.</p> <p>Chair Herzfeld asked if there was any public comment before taking a vote to recommend that the first reading of the budget be brought to the full Commission for review.</p> <p>Chair Herzfeld facilitated the vote to recommend.</p>		



7. FY 2020-29 LONG RANGE FINANCIAL PLAN – FIRST READING			
<p>C. Hom</p>	<p><a href="#">[Attachment]</a>                      Ms. Hom presented the FY 2020-29 Long Range Financial Plan – First Reading                      Major highlights include:</p> <ul style="list-style-type: none"> <li>▪ The Long Range Financial Plan assumes a 2.6% decrease in tax revenue from the prior year. Moving forward beyond FY 2020-21, revenues are expected to continue decreasing at a rate of approximately 1.7% per year (FY 2021-22, FY 2022-23) and then 3.5% per year through 2029.</li> <li>▪ Assumptions around Interagency income are based on anticipated award termination dates.</li> <li>▪ MediCal federal fiscal leveraging is proposed at \$1.5 million through the end of the 2022 Strategic Plan. Thereafter, MAA revenue is included at \$1 million per year.</li> <li>▪ Grants from the CA Department of Education and private foundations are term limited and are included based on award termination dates.</li> <li>▪ Miscellaneous income which is comprised primarily of rent from the First 5 Association and donations to the upcoming Fatherhood Summit is included in next year’s budget. In the following years, miscellaneous income remains relatively stable throughout the plan period and represents only rent costs from the First 5 Association.</li> <li>▪ The Sustainability Fund cannot be spent down to zero, as some funds need to be maintained as an operating reserve. This is to cover ongoing cash flow requirements and to act as a buffer if there are delays in receiving state tobacco tax or other revenues. The recommendation is to maintain an amount in the Fund Balance at a minimum equal to 6 months of operating expenses, plus an amount to cover fiscal obligations during the term of the plan.</li> </ul> <p>Chair Herzfeld asked if there was any public comment before taking a vote to recommend that the first reading of the Long Range Financial Plan be brought to the Commission for review.                      Chair Herzfeld facilitated the vote to recommend.</p>	<p>Motion: C. Echeverría                      Second: S. Coffin                      Motion passed</p>	<p>The FY 2020-29 Long Range Financial Plan will be brought to the full Commission for review.</p>



AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP
<b>8. CEO PERFORMANCE EVALUATION – CLOSED SESSION (GOV CODE 54754.5) 10:04 AM</b>			
R. Herzfeld	Chair Herzfeld requested that all members of the public and staff leave the Zoom meeting for Closed Session to conduct the CEO’s performance evaluation.  The public was dismissed at 10:04 AM.  Chair Herzfeld reconvened the public meeting at 10:55 AM and stated that there was no action taken in Closed Session.	None	The CEO performance evaluation will be brought to the full Commission for review.
<b>9. ADJOURNMENT</b>			
R. Herzfeld	Chair Herzfeld gaveled out and adjourned the meeting at 10:55 AM.	None	None

Respectfully Submitted By: Julia Otani, Executive Assistant





**To:** First 5 Alameda County Commission

**From:** Kristin Spanos, Chief Executive Officer  
Christine Hom, Finance Officer

**Date:** June 11, 2020

**Subject:** FY 2020-22 Budget Proposal – Final Reading

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#### **ACTION REQUESTED**

To review the second reading of the FY 2020-22 Budget Proposal.

#### **BACKGROUND**

Each First 5 agency is required by statute to pass a Strategic Plan that outlines the use of the tobacco tax funds to serve children age 0-5 and their families. The First 5 Alameda County Commission originally approved a four-year Strategic Plan for FY 2017-21 and approved the extension of the Plan for one additional year through FY 2021-22 during the February Commission meeting. This budget proposal covers the last two years of that period, FY 2020-22. F5AC is requesting approval in principle of the second year of the budget (FY 2021-22) at the identical revenue and expense amounts as FY 2020-21 to enable the agency to engage in two-year awards that span FY 2020-22. The full FY 2021-22 budget will be brought to the Commission for consideration beginning in April 2021.

This presentation is the second reading of the FY 2020-22 budget proposal and incorporates changes directed by the Commission, new information related to the tobacco tax and other revenue streams, as well as major changes to expenditures. In addition, the list of contracts that exceed \$250,000 which require Commission authorization will be presented in conjunction with the FY 2020-22 proposed budget.

As is the practice of First 5 Alameda County, changes that occur during the fiscal year will be formally incorporated into the mid-year Budget Modification in January 2021.

#### **CURRENT BUDGET PROPOSAL**

This document provides a fiscal summary of revenue projections and budgeted expenditures as follows:

- First 5 staff salaries and benefits
- Contracts
- Grants & Stipends
- Professional Service Contracts
- Program Operating Costs
- Infrastructure costs

The following Revenue and Expense projections reflect the priorities of the 2017-2022 Strategic Plan that was originally approved by the Commission in December 2016 and extended for an additional year in February 2020.

**REVENUE AND AVAILABLE FUNDS FOR FY 2020-21**

Combined Revenues and Sustainability Funds for FY2020-2021 are projected to be \$25.7 million. This figure is consistent with the Long Range Financial Plan. \$6.7 million of Sustainability Funds (\$4.1 million for FY 2021-22 agency budget and \$2.6 million to support the COVID-19 Community Resilience Fund) are budgeted to close the gap between revenue and projected expenses.

REVENUE TYPE	2020-21 PROPOSED	RATIONALE/DETAILS
<b>Prop 10 Tobacco Tax</b>		
	\$11,266,978	The tobacco tax revenue projection (Prop 10 and 56) is based on California Department of Finance and First 5 California projections for county commissions. Prop 10 Tobacco taxes are expected to decrease as per First 5 California's update projections in May 2019.
<b>Other First 5 Income</b>		
	\$1,741,567	Funding includes First 5 California IMPACT 2 grant to support local QRIS work, IMPACT Incentive Layer funding and Children's Council of San Francisco (First 5 San Francisco) funding for IMPACT Local Regional Training and Technical Assistance Hub.
<b>Interagency Income</b>		
	\$3,770,111	Funding includes contract with Alameda County Health Care Services Agency and Social Services Agency (via ACHCSA) to support Fathers Corp work, funding from the Alameda County Office of Education/CA State Block Grant for QRIS 6, projected monies for QRIS 7 grant and a new Inclusive Learning grant, funding from Alameda County Behavioral Health Care Services in support of the Alameda County Early Childhood Policy Committee (ACEPC), funding from Alameda County Public Health Department for Healthy Teeth, Healthy Communities, home visiting (PHOC), Help Me Grow Linkage Line services, funding from Alameda County Social Services Agency for CalWORKS and workforce development activities and funding from the California Department of Education for Quality County California QRIS Block Grant 2 and projected monies for QRIS Block Grant 3.
<b>Grants</b>		
	\$461,300	Funding from Sunlight Giving for general operating support, funding from the Center for the Study of Social

REVENUE TYPE	2020-21 PROPOSED	RATIONALE/DETAILS
		Policy to support year 5 of Project DULCE, funding from Alameda Alliance for Health to support the HMG Pediatric Care Pilot), funding from Packard Foundation to support HMG Pediatric Parent support and funding from Connecticut Children's Medical Center to support HMG Community of Practice Advisor activities.
<b>Fiscal Leveraging</b>		
Fiscal Leveraging	\$1,500,000	Projected funding for Medi-Cal Administrative Activities (MAA); estimates are based on MAA invoices submitted in 2019-20.
<b>Other Income</b>		
	\$224,699	No investment income is projected. Miscellaneous Revenue – Fatherhood Summit represents donations and sponsorships for the event in 2021. Miscellaneous Revenue – Other includes rental income from the First 5 Association.
<b>Total Revenue (1)</b>	<b>\$18,964,655</b>	Prop 10 Tobacco Tax, Other First 5 Income, Interagency Income, Grants, Fiscal Leveraging and Other Income
<b>Reserves: Prop 10 Sustainability Funds (2)</b>	<b>\$6,127,009</b>	Draw down from Proposition 10 Sustainability Fund (including \$2,000,000 to support the COVID-19 Community Resilience Fund) to balance the budget.
<b>Prop 10 Savings (3)</b>	<b>\$618,000</b>	Carryover of estimated FY 2019-20 savings to support COVID-19 Resilience Fund
<b>Grand Total</b>	<b>\$25,709,664</b>	Total Revenues and Available Funds = (1) + (2) + (3)

**EXPENDITURES FOR FY 2020-21**

In the 2020-21 Strategic Plan planned activities were categorized under eleven major strategies:

**PROGRAMS AND INVESTMENTS:**

- Parent Engagement and Support
- Early Identification
- Quality Early Childhood Education
- Fatherhood
- Neighborhoods Ready for School
- Innovation

**CAPACITY BUILDING & SUSTAINABILITY**

- Policy, Planning and Evaluation
- Training and Capacity Building
- Communications
- Administration, Information and Technology
- **Community Resilience Fund**

The following Expense proposal provides the cost for each of the eleven strategies detailed in the Strategic Plan. The program strategy expenditures presented below consist of Salaries and Benefits, Program related Contracts, Grants and Stipends, Professional Services costs and Program Operating costs. Strategies are supported by facilities, infrastructure and data systems. Indirect agency Infrastructure costs are reflected in the Administration, Information and Technology budget. The budget narrative provides some detail on each Strategy and is to be read in conjunction with the Strategic Plan.

Consistent with legislative requirements brought about by AB 109, expense costs continue to be separated into three categories: Program, Evaluation and Administration. The expenses in each category are consistent with First 5 California guidelines, and those set forth in the Government Finance Officers Association’s First 5 Financial Management Guide.

**Salaries and Benefits**

For FY 2020-2021, total salaries and benefits are projected to be \$10,572,478. Salaries are budgeted based on actual amounts. Benefits are budgeted at 50% of salaries. Consistent with direction from the Commission, the approved benefit package has remained mostly consistent with Alameda County, including membership in the Alameda County Employee’s Retirement Association (ACERA). The 50% allocation is based on actual cost estimates that are revised periodically as needed.

The **Parent Engagement and Support** strategy budget proposal for 2020-21 is **\$3,517,725** and consists of:

FY 2020-21 PROPOSED AMOUNT	FUNDING SOURCES	PROPOSED ACTIVITIES
\$3,517,725	<ul style="list-style-type: none"> <li>▪ Tobacco Tax</li> <li>▪ Medi-Cal</li> <li>▪ Administrative Activities (MAA)</li> <li>▪ Alameda County Public Health Department</li> <li>▪ Center for the Study of Social Policy (CSSP)</li> <li>▪ Alameda County Social Services Agency</li> </ul>	<ul style="list-style-type: none"> <li>▪ Continue support of Perinatal Health Outreach Coordinator (PHOC) position to support home visiting services with Alameda County Public Health Department (ACPHD)</li> <li>▪ Support four new parent engagement and support grants</li> <li>▪ Continue support of Early Learning Communities for expansion/development of early childhood systems in select cities in Alameda County</li> <li>▪ Continue support workforce pilot program and navigation services in Castlemont Corridor</li> <li>▪ Continue support of Project DULCE activities</li> <li>▪ Continue support of the 0-5 component of the Alameda County Dental Transformation Grant (Healthy Teeth Healthy Communities)</li> </ul>

The **Early Identification** strategy budget proposal for 2020-21 is **\$2,895,047** and consists of:

FY 2020-21 PROPOSED AMOUNT	FUNDING SOURCES	PROPOSED ACTIVITIES
<b>\$2,895,047</b>	<ul style="list-style-type: none"> <li>▪ Tobacco Tax</li> <li>▪ Medi-Cal Administrative Activities (MAA)</li> <li>▪ Alameda County Public Health Department</li> <li>▪ Alameda County Social Services Agency</li> <li>▪ Connecticut Children's Medical Center</li> <li>▪ Alameda Alliance for Health</li> <li>▪ Packard Foundation</li> </ul>	<ul style="list-style-type: none"> <li>▪ Continue support to parents and caregivers in accessing resources, and increase parent knowledge of child development through family navigation</li> <li>▪ Broaden screening efforts in alignment with Help Me Grow Strategic Plan including enhancing screening technology and purchase of ASQ kits</li> <li>▪ Continue to explore local system integration and sustainability with managed care, health care and social services agencies</li> <li>▪ Support the HMG National Community of Practice Innovation Advisor</li> <li>▪ Implement HMG's Pediatric Care Pilot (conduct member engagement activities related to care coordination).</li> <li>▪ Conduct HMG Pediatric Parent Support via a new grant</li> </ul>

The **Quality Early Childhood Education (QECE)** strategy budget proposal for 2020-21 is **\$4,990,227** and consists of:

FY 2020-21 PROPOSED AMOUNT	FUNDING SOURCES	PROPOSED ACTIVITIES
<b>\$4,990,227</b>	<ul style="list-style-type: none"> <li>▪ Tobacco Tax</li> <li>▪ First 5 California</li> <li>▪ Children's Council of San Francisco (Regional IMPACT T/TA Hub)</li> <li>▪ Alameda County Office of Education</li> <li>▪ CA Department of Education</li> </ul>	<ul style="list-style-type: none"> <li>▪ Continue to provide core infrastructure, coordinator and convener role for the Quality Rating and Improvement System (QRIS) system</li> <li>▪ Continue the recruitment, training and engagement of ECE providers in to the QRIS</li> <li>▪ Continue to conduct and communicate assessment and rating with providers</li> <li>▪ Continue to support trainings, playgroups and provide stipends for Family, Friend and Neighbor providers and Family Child Care sites</li> <li>▪ Provide coaching, consultation, quality improvement services and training on social emotional development (CSEFEL)</li> <li>▪ Continue support for sustainable advising and professional development in institutions of higher education</li> <li>▪ Projected ACOE (IEEEP) Inclusive Learning grant term is July 2020 to Dec 2023.</li> </ul>

The **Fatherhood** strategy budget proposal for 2020-21 is **\$572,999** and consists of:

FY 2020-21 PROPOSED AMOUNT	FUNDING SOURCES	PROPOSED ACTIVITIES
\$572,999	<ul style="list-style-type: none"> <li>▪ Tobacco Tax</li> <li>▪ Alameda County Health Care Services Agency</li> <li>▪ Alameda County Social Services Agency</li> <li>▪ Fatherhood Summit Sponsorships (Kaiser, PG&amp;E, Cal Endowment, Cal Wellness, F5CA, ACHCSA, ACSSA, ACCSS, AC Probation)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Incorporate Father Friendly Principles into additional programs and community initiatives</li> <li>▪ Continue Fatherhood Partnership Program, host Summit in 2021 and convene learning communities</li> <li>▪ Continue Father Friendly Principles awareness, adoption, implementation, and capacity building campaign to public systems and CBOs</li> <li>▪ Continue Fatherhood Media Campaign</li> <li>▪ Implement Fatherhood Interagency Workgroup</li> </ul>

The **Neighborhoods Ready for School** strategy budget proposal for 2020-21 is **\$3,500,000** and consists of:

FY 2020-21 PROPOSED AMOUNT	FUNDING SOURCES	PROPOSED ACTIVITIES
\$3,500,000	<ul style="list-style-type: none"> <li>▪ Tobacco Tax</li> </ul>	<ul style="list-style-type: none"> <li>▪ Continued support of school readiness and place-based work with Oakland Unified School District and in the Castlemont Corridor</li> <li>▪ Continue support of Parent Café programming</li> <li>▪ Continue implementation of “Neighborhood Frameworks” strategy for services and funding investments in areas with the highest need including family navigation and family café consultation and support</li> <li>▪ Support basic needs diaper distribution activities</li> </ul>

The **Innovation** strategy budget proposal for 2020-21 is **\$200,000** and consists of:

FY 2020-21 PROPOSED AMOUNT	FUNDING SOURCES	PROPOSED ACTIVITIES
\$200,000	<ul style="list-style-type: none"> <li>▪ Tobacco Tax</li> </ul>	<ul style="list-style-type: none"> <li>▪ Continued development of HIGH 5 Salesforce based database to support grants management and training activities</li> </ul>

The **Policy, Planning and Evaluation** strategy budget proposal for 2020-21 is **\$2,109,800** and consists of:

FY 2020-21 PROPOSED AMOUNT	FUNDING SOURCES	PROPOSED ACTIVITIES
\$2,109,800	<ul style="list-style-type: none"> <li>▪ Tobacco Tax</li> <li>▪ Alameda County Behavioral Health Care Services Agency</li> </ul>	<ul style="list-style-type: none"> <li>▪ Continue focus on local policy and systems changes to result in the institutionalization of the work that began at First 5</li> <li>▪ Contribute to First 5 Association policy work</li> <li>▪ Develop an annual policy platform for local efforts aligned with F5AC programs and priorities around school readiness, child development, family supports, child friendly neighborhoods</li> <li>▪ Continue development of data dashboard, performance monitoring and analysis for each F5AC program strategy in alignment with results-based accountability</li> <li>▪ Continue support of Alameda County Early Childhood Policy Committee activities</li> <li>▪ Continue performing evaluations of identified initiatives (i.e. school readiness, place-based work)</li> </ul>

The **Training and Capacity Building** strategy budget proposal for 2020-21 is **\$700,000** and consists of:

FY 2020-21 PROPOSED AMOUNT	FUNDING SOURCES	PROPOSED ACTIVITIES
\$700,000	<ul style="list-style-type: none"> <li>▪ Tobacco Tax</li> </ul>	<ul style="list-style-type: none"> <li>▪ Continue to provide training on best, promising practices and peer learning communities for the multi-disciplinary workforce serving families with young children</li> <li>▪ Develop curriculum and capacity building tools connecting trainings to workforce development, parent engagement and place-based strategies</li> <li>▪ Support training for staff development program</li> </ul>

The **Communications** strategy budget proposal for 2020-21 is **\$400,000** and consists of:

FY 2020-21 PROPOSED AMOUNT	FUNDING SOURCES	PROPOSED ACTIVITIES
\$400,000	<ul style="list-style-type: none"> <li>▪ Tobacco Tax</li> </ul>	<ul style="list-style-type: none"> <li>▪ Continue development of dissemination strategy for F5AC reports and information</li> <li>▪ Continue development of social media strategy</li> <li>▪ Continue enhancements to agency website</li> <li>▪ Develop multi-year campaign that connects with policy platform, parent engagement and education on child development</li> <li>▪ Develop collateral materials regarding impacts of F5 investments to promote sustainability</li> </ul>

The **Administration, Information and Technology** strategy budget proposal for 2020-21 is **\$4,170,865** and consists of:

ADMINISTRATION, INFORMATION AND TECHNOLOGY STRATEGY		
FY 2020-21 PROPOSED AMOUNT	FUNDING SOURCES	PROPOSED ACTIVITIES
\$4,170,865	<ul style="list-style-type: none"> <li>▪ Tobacco Tax</li> <li>▪ Medi-Cal Administrative Activities (MAA)</li> <li>▪ Alameda County Public Health Department</li> <li>▪ Alameda County Behavioral Health Care Services</li> <li>▪ First 5 Association (rent)</li> <li>▪ Grant Indirect Revenue</li> </ul>	<ul style="list-style-type: none"> <li>▪ Includes Administration, Technology, Finance, Human Resources, Commission, facilities management and consolidated operating costs to support agency operations</li> <li>▪ Expand and update data systems to build capacity for cross data systems exchange of information including the enhancement of internal databases, expansion of data system agility and responsiveness, improved performance and productivity, update of electronic data sharing confidentiality and privacy practices</li> <li>▪ Includes agency wide infrastructure costs of insurance, memberships/dues, professional services, utilities, janitorial and maintenance</li> </ul>



The COVID-19 Community Resilience Fund strategy budget proposal for 2020-21 is \$2,653,000 and consists of:

ADMINISTRATION, INFORMATION AND TECHNOLOGY STRATEGY		
FY 2020-21 PROPOSED AMOUNT	FUNDING SOURCES	PROPOSED ACTIVITIES
\$2,653,000	<ul style="list-style-type: none"> <li>▪ Tobacco Tax</li> <li>▪ Sunlight Giving</li> </ul>	<ul style="list-style-type: none"> <li>▪ Support to community based organizations and public agencies for COVID-19 relief efforts</li> </ul>

**Administrative Cap**

As part of the agency Financial Policies and consistent with AB 109 and SB 35, First 5 Alameda County has set an administrative cost cap of 15%. Costs are segregated through the year into the Program, Evaluation and Administrative areas according to guidelines and definitions set forth by First 5 California and in the Government Finance Officers Association (GFOA) First 5 Financial Management Guide.

The proposed budgets' costs are:

2020-21 COSTS	
Program	82.42%
Evaluation	7.35 %
Administration	10.23%
<b>TOTAL</b>	<b>100.00%</b>

**Fiscal Impact**

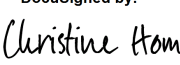
The fiscal impact is \$25,709,664 in budgeted expenses, a major portion of which will be funded by a combination of Prop 10 and other revenue sources amounting to \$18,964,655. The balance is expected to be funded using Proposition 10 Sustainability Funds totaling \$6,745,009 in FY 2020-21.

**RECOMMENDATION**

That the Executive Committee review the FY 2020-22 Budget Proposal and give feedback for clarification or changes in preparation for the final reading on June 18, 2020.

Submitted by:

Reviewed by:

DocuSigned by:  
  
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 Christine Hom  
 Finance Officer

DocuSigned by:  
  
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 Kristin Spanos  
 Chief Executive Officer

**First 5 Alameda County  
Proposed Budget - Revenue  
July 1, 2020 - June 30, 2021**

Revenues	Adopted Modified Budget FY2019-20	2nd Reading Proposed Budget FY2020-21	Change Increase/ (Decrease)	Notes	NOTES
<b>Proposition 10 Tobacco Tax Revenue</b>	<b>11,443,608</b>	<b>11,266,978</b>	<b>(176,630)</b>	1	1 Prop 10 and Prop 56 tobacco tax revenue projections per First 5 California's revenue projections released May 2019
<b>Other First 5 Income</b>					
First 5 California (IMPACT)	1,970,300	-	(1,970,300)	2	2 Original First 5 California IMPACT 5 year grant ended June 30, 2020
First 5 California (IMPACT 2)	-	972,567	972,567	3	3 New First 5 California IMPACT grant has a 3 year term (July 2020 to June 2023), currently in year 1 of 3
First 5 California (IMPACT Incentive Layer)	-	659,000	659,000	4	4 IMPACT Incentive Layer award received in FY2018-20 will be used for planned activities in FY2020-21.
Children's Council of San Francisco (First 5 San Francisco/Hub)	110,000	110,000	-	5	5 First 5 IMPACT Regional Training and Technical Assistance Hub for Region 4
First 5 Associations (Census 2020)	6,000	-	(6,000)	6	6 One time grant funding to support Census 2020 work in FY2019-20
<b>Total Other First 5 Income</b>	<b>2,086,300</b>	<b>1,741,567</b>	<b>(344,733)</b>		
<b>Interagency Income</b>					
Alameda County Health Care Services Agency (Fathers Corp)	153,000	128,000	(25,000)	7	7 ACHCSA Fathers Corp award has a 5 year term (July 2017 to June 2022), currently in year 4 of 5
Alameda County Office of Education (QRIS 5)	51,298	-	(51,298)	8	8 ACOE QRIS 5 grant term ended September 30, 2019
Alameda County Office of Education (QRIS 6)	400,287	178,283	(222,004)	9	9 ACOE QRIS 6 grant term ends September 30, 2020
Alameda County Office of Education (QRIS 7) <i>projected</i>	-	444,217	444,217	10	10 Projected ACOE QRIS 7 grant term is July 2020-June 2021
Alameda County Office of Education (Inclusive Learning grant) <i>projected</i>	108,500	96,428	(12,072)	11	11 Projected ACOE (IEEEP) Inclusive Learning grant term is July 2020 to Dec 2023. Previous FY19-20 award was one year term
Alameda County Behavioral Health Care Services Agency (ACECPC)	43,600	9,800	(33,800)	12	12 ACBHCS funding for ACECPC-Parent Voices for July 2020 to September 2020 (3 months)
Alameda County Public Health Dept. (shared Technology costs)	108,000	108,000	-	13	13 ACPHD projected annual shared technology costs to support ECChange maintenance and hosting
<b>Federal Pass-through Grants:</b>					
Alameda County Public Health Dept. (Healthy Teeth, Healthy Communities)	755,287	396,170	(359,117)	14	14 ACPHD Dental Program (HTHC) award has 4 year term (April 2017 to Dec 2020), currently in year 4 of 4
Alameda County Public Health Dept. (Home Visiting/PHOC)	49,500	103,772	54,272	15	15 ACPHD Home Visiting/PHOC award to support one FT PHOC position (January 2020 to June 2021)
Alameda County Public Health Dept. (Linkage Line)	433,840	472,038	38,198	16	16 ACPHD HMG Linkage Line grant award term is July 2020 to June 2023; currently in year 1 of 3
Alameda County Social Services Agency (CalWORKS)	717,507	717,507	-	17	17 ACSSA grant renewal for CalWORKS, Workforce Pilot & Early ID support (July 2020 to July 2021)
California Dept. of Education (QCC QRIS Block Grant)	57,865	-	(57,865)	18	18 CDE QCC Block Grant #1 ended September 30, 2019
California Dept. of Education (QCC QRIS Block Grant #2)	569,102	545,312	(23,790)	19	19 CDE QCC Block Grant #2 ends September 30, 2020
California Dept. of Education (QCC QRIS Block Grant #3) <i>projected</i>	-	570,584	570,584	20	20 Projected CDE QCC Block Grant #3 grant period July 2020 to June 2021
California Dept. of Education (ELC Workforce Development) <i>projected</i>	-	-	-	21	21 Projected CDE ELC Workforce Development grant opportunity was cancelled by the funder
<b>Total Interagency Income</b>	<b>3,447,786</b>	<b>3,770,111</b>	<b>322,325</b>		
<b>Grants</b>					
Sunlight Giving	200,000	235,000	35,000	22	22 Sunlight Giving general support grant (June 2019 - July 2022), currently in year 2 of 3, plus new award (\$35,000) for FY2020-21
Center for the Study of Social Policy (Project DULCE)	100,000	30,300	(69,700)	23	23 CSSP funding to support Project DULCE activities through October 2020
Connecticut Children's Medical Center (HMG Early Care Integration)	3,000	-	(3,000)	24	24 HMG National Early Care Integration grant, \$6,000 for FY18-20 (January 2019-March 2020) with \$3,000 disbursement in FY2019-20
Connecticut Children's Medical Center (HMG COP Advisor)	-	6,000	6,000	25	25 New award to support the HMG National Community of Practice Innovation Advisor (March 2020-May 2021)
Alameda Alliance for Health	-	165,000	165,000	26	26 New award to support HMG's Pediatric Care Pilot (conduct member engagement activities related to care coordination)
Packard Foundation	-	25,000	25,000	27	27 New award to support HMG Pediatric Parent Support (July 2020-June 2021)
<b>Total Grants</b>	<b>303,000</b>	<b>461,300</b>	<b>158,300</b>		
<b>Fiscal Leveraging - MediCal Administrative Activities</b>	<b>1,500,000</b>	<b>1,500,000</b>	<b>-</b>	28	28 FY2020-21 revenue is projected receipt for FY2019-20 invoices
<b>Other Income</b>					
Investment Revenue	375,000	-	(375,000)	29	29 Investment income is not projected to be received for FY2020-21
Miscellaneous Revenue - Fatherhood Summit	-	194,999	194,999	30	30 Awards to support the 2021 Fatherhood Summit (PG&E, Kaiser, Cal Endowment, CA Wellness, F5CA, ACHCSA, ACSSA, AC Probation, ACCSS)
Miscellaneous Revenue - Other	32,900	29,700	(3,200)	31	31 Rental income from First 5 Association
<b>TOTAL REVENUE</b>	<b>19,188,594</b>	<b>18,964,655</b>	<b>(223,939)</b>		
<b>RESERVES</b>					
<b>Proposition 10 - Sustainability Funds</b>	<b>4,706,392</b>	<b>6,127,009</b>	<b>1,420,617</b>	29	29 Use of Prop 10 sustainability funds (including \$2M for COVID-19 Community Resilience Fund) are projected to increase per First 5 California's projected revenues (see note 1)
<b>Proposition 10 - Savings from FY19-20</b>	<b>-</b>	<b>618,000</b>	<b>618,000</b>	30	30 FY2019-20 budget savings to be used for COVID-19 Community Resilience Fund
<b>Interagency and Grants Revenues - received in prior years</b>	<b>890,920</b>	<b>-</b>	<b>(890,920)</b>	31	31 No planned use of revenue received in prior periods for expenses in FY2020-21
<b>TOTAL REVENUES &amp; AVAILABLE FUNDS</b>	<b>24,785,906</b>	<b>25,709,664</b>	<b>923,758</b>		

**First 5 Alameda County  
Proposed Operating Expenditure Budget By Strategy  
July 1, 2020 - June 30, 2021**

	Parent Engagement & Support	Early ID	Quality Early Childhood Education	Fatherhood	Neighborhoods Ready for School	Innovation	Policy, Planning & Evaluation	Training & Capacity Building	Communications	Administration, Information and Technology	COVID-19 Community Resilience Fund	TOTAL REVISED BUDGET
<b>PROPOSED FY2020-21 BUDGET - 2nd Reading</b>												
	FY 2019-20	FY 2019-20	FY 2019-20	FY 2019-20	FY 2019-20	FY 2019-20	FY 2019-20	FY 2019-20	FY 2019-20	FY 2019-20	FY 2019-20	FY 2019-20
<b>Personnel Costs</b>												
Salaries & Benefits	1,064,386	2,014,415	1,884,877	216,663	489,348	0	1,688,437	350,085	373,312	2,490,955	0	10,572,478
<b>Program Contracts/Grants</b>												
Contracts	2,387,234	632,000	2,077,215	256,500	2,956,652	200,000	365,700	224,915	21,188	450,000	2,618,000	12,189,404
Grants & Stipends	0	0	803,403	11,000	0	0	0	0	0	0	0	814,403
Professional Services*	0	150,272	136,500	27,000	10,000	0	0	85,000	0	15,000	0	423,772
Total Contracts/Grants	2,387,234	782,272	3,017,118	294,500	2,966,652	200,000	365,700	309,915	21,188	465,000	2,618,000	13,427,579
<b>Program Operating Costs**</b>												
	66,105	98,360	88,232	61,836	44,000	0	55,663	40,000	5,500	161,608	35,000	656,304
<b>Infrastructure Costs</b>												
	0	0	0	0	0	0	0	0	0	1,053,302	0	1,053,302
<b>Total Direct Program Costs</b>	<b>3,517,725</b>	<b>2,895,047</b>	<b>4,990,227</b>	<b>572,999</b>	<b>3,500,000</b>	<b>200,000</b>	<b>2,109,800</b>	<b>700,000</b>	<b>400,000</b>	<b>4,170,865</b>	<b>2,653,000</b>	<b>25,709,664</b>

**First 5 Alameda County**  
**Proposed Expenditure Budget by Expenditure Category**  
**July 1, 2020 - June 30, 2021**

Expenditures	Modified Budget FY 2019-20	Proposed Budget FY 2020-21	Difference	Variance from Prior Year	Notes
Personnel Costs	\$9,918,211	\$10,572,478	\$654,267	7%	1
Program Contracts/Grants	\$13,095,339	\$13,427,579	\$332,240	3%	2
Program Operating Costs	\$729,856	\$656,305	(\$73,551)	-10%	3
Infrastructure Costs	\$1,042,500	\$1,053,302	\$10,802	1%	4
<b>TOTAL EXPENDITURES</b>	<b>\$24,785,906</b>	<b>\$25,709,664</b>	<b>\$923,758</b>	<b>4%</b>	

**Notes:**

Major changes in Expenditure Category costs, between the second FY 2019-20 Modified Budget and the Proposed FY 2020-21 budget.

**1. Personnel Costs**

FY2020-21 proposed personnel costs reflects staffing for key operations in Programs, Communications, and Administration Information & Technology increasing from part to full time status and **additional externally funded positions**.

**2. Contracts**

FY2020-21 contracts/grants reduction reflects end of external grant term funding (from Thomas J. Long Foundation and First 5 CA IMPACT), a decrease in budgeted amounts for technology related contracts **and increased contracts to support COVID-19 activities**.

**3. Program Operating Costs**

FY2020-21 program operating costs reflect a slight reduction primarily due to realignment of expenses between categories, strategies and **adjustments per external funding changes** (First 5 CA IMPACT and ACPHD Healthy Teeth, Healthy Communities decreased funding in FY2020-21).

**4. Infrastructure Costs**

FY2020-21 infrastructure costs reflect an increase in cost of service vendors.



**To:** First 5 Alameda County Executive Committee

**From:** Kristin Spanos, Chief Executive Officer  
Christine Hom, Finance Officer

**Date:** June 11, 2020

**Subject:** FY 2020-29 Long Range Financial Plan – Final Reading

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**ACTION REQUESTED**

To review the second reading of the FY 2020-29 Long Range Financial Plan.

**BACKGROUND**

First 5 Alameda County has adopted a Long Range Financial Plan annually since March 2004. Adoption of a Long Range Financial Plan (LRFP) has been a statutory requirement of all First 5 Commissions since 2006-07.

The current LRFP was formally approved by the Commission in June 2019. An update to the LRFP is included with underlying assumptions as well as historical background information. The update reflects the Proposed Budget for FY 2020-2021 and the most recent Prop 10 Tobacco Tax revenue forecast from the California Department of Finance that was received in May 2019. The first public reading of the revised Plan was held on April 16, 2020 and this represents the second and final reading to be held on June 18, 2020.

**MINIMUM FUND BALANCE REQUIREMENTS**

From time to time, First 5 Alameda County has used Sustainability Funds to augment operating budget needs and to meet revenue shortfalls, to the extent authorized by the Commission. The Sustainability Fund balance as of June 30, 2019 was \$35.7 million. However, this Fund may not be spent down to zero; some funds must be maintained as an operating reserve to cover ongoing cash flow requirements to act as a buffer since there are delays in receiving state tobacco tax revenues or other revenues. The policy is to maintain an amount in the Fund Balance, at a minimum, equal to six months of operating expenses plus an amount to cover fiscal obligations under the Reduction in Workforce Policy.

**FISCAL IMPACT**

There is no fiscal impact.

**RECOMMENDATION**

To review the following FY 2020-29 Long Range Financial Plan and to give feedback for clarification or changes in preparation for the final reading on June 18, 2020.

Submitted by:

DocuSigned by:  
*Christine Hom*  
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Christine Hom  
Finance Officer

Reviewed by:

DocuSigned by:  
*Kristin Spanos*  
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Kristin Spanos  
Chief Executive Officer



### ASSUMPTIONS FOR THE REVISED LONG RANGE FINANCIAL PLAN

Presented below are the assumptions used to develop the Long Range Financial Plan.

#### REVENUES

FY 2019-20 figures are from the original and second revised budget approved in February 2020. For 2020-21 and subsequent years, the following revenue assumptions were used:

- Tobacco Tax** – The California Department of Finance (DoF) prepared revised projections of First 5 tobacco tax revenues in May 2019 for the period ending 2022-2023. These take into account the effects of the federal tobacco tax, other declines in state tobacco tax revenues due to newer legislation (SBx2-7 Smoking Age Increase to 21 effective June 2016, Proposition 56 \$2-dollar tobacco tax increase effective April 2017) Prop 99 and backfill amounts and other factors. The projections listed below cover the period 2020-2029.

Historically, the DoF projections have been on the conservative side; actual revenues received being equal to or higher than projections with the exception of the last fiscal year FY 2018-19. We anticipate receiving updated revenue projections from the DoF and First 5 CA this year and we will continue to forecast revenue conservatively.

<u>Fiscal Year</u>	<u>DoF Projection</u>	<u>Actual Revenue</u>
2010-2011	\$14.0m	\$14.3m
2011-2012	\$13.8m	\$14.5m
2012-2013	\$13.3m	\$13.6m
2013-2014	\$13.2m	\$13.2m
2014-2015	\$13.0m	\$13.3m
2015-2016	\$12.1m	\$13.2m
2016-2017	\$11.6m	\$12.6m
2017-2018	\$10.6m	\$11.3m
2018-2019	\$12.8m	\$12.1m
2019-2020	\$11.5m	
2020-2021	\$11.2m	
2021-2022	\$11.0m	
2022-2023	\$10.8m	
2023-2024	\$10.5m*	
2024-2025	\$10.1m*	
2025-2026	\$9.8m*	
2026-2027	\$9.4m*	
2027-2028	\$9.1m*	
2028-2029	\$8.8m*	

Based on the above DoF projection for 2020-2021, the Long Range Financial Plan assumes a 2.6% decrease in tax revenue from the prior year. Moving forward beyond 2020-21, revenues

are expected to continue decreasing at a rate of approximately 1.7% per year (2021-22, 2022-23) and then 3.5% per year through 2029 (\*). If actual revenues show a significant change during the year, the projection for the current year will be brought to the Commission at mid-year, along with other budget modification proposals.

▪ **Interagency Income -**

- AC Behavioral Health Care Services funding for ACECPC Parent Voices (\$10,000)
- Funding from AC Health Care Services Agency and AC Social Services Agency to support Fathers Corps work (\$128,000)
- AC Public Health Department funding for ECChange database hosting and maintenance (\$108,000)
- AC Public Health Department funding for Help Me Grow (HMG) Linkage Line services (\$472,000)
- AC Public Health Department funding for the 0-5 component of the Dental Transformation grant (\$396,000)
- AC Public Health Department funding for Perinatal Health Outreach Coordinator positions (\$104,000)
- Pass through funding from AC Social Services Agency to support early child development activities in the Castlemont neighborhood and workforce development pilot (\$718,000)
- Funding from the AC Office of Education Block Grant 6 (\$178,000) and projected Block Grant 7 (\$444,000) to support Quality Rating Improvement Systems work
- Funding from the AC Office of Education Inclusive Learning grant to support Help Me Grow developmental screening coaching (\$96,000)
- Funding from First 5 California (IMPACT Incentive Layer) to support local QRIS work (\$659,000)
- Funding from First 5 California (IMPACT 2) to support local QRIS work including rating and quality improvement in child care settings (\$973,000)
- Funding from the Children's Council of San Francisco for the IMPACT Local Regional T/TA Hub (\$110,000)

- **Fiscal Leveraging** – Since FY 2009-10, fiscal leveraging revenues consist entirely of federal reimbursements under the Medi-Cal Administrative Activities (MAA) program. Gross MAA revenues for the prior fiscal year are usually received 8-12 months in arrears. As a result of the perpetual time study methodology introduced by the granting agency in FY 2013-14 and the inclusion of actual client count for invoicing, revenues are expected to average approximately \$1.5 million. For the purposes of this LRFP, it is assumed that programs eligible for MAA claiming will be reimbursed at this level through the 2020-21 budget year (and the entire 2017-22 Strategic Plan), and will thereafter receive a lower reimbursement of \$1 million for 2022-29 based on the reduction of any MAA generating staff.

▪ **Grants –**

- The CA Department of Education QCC QRIS Block Grant 2 (\$545,000) and projected QCC QRIS Block Grant 3 (\$571,000)
- The CA Department of Education ELC Workforce Development projected grant to support providers (\$223,000)
- Award from Alameda Alliance for Health to support Help Me Grow (\$165,000)



- Private grant revenue from the Center for the Study of Social Policy to support Project DULCE activities (\$30,000)
- Private grant from Packard Foundation to support Help Me Grow (\$25,000)
- Private grant from Sunlight Giving for general infrastructure (\$200,000) and COVID-19 Resilience Fund support (\$35,000)

As and when new grants are awarded, the Long Range Financial Plan will be revised accordingly.

- **Investment Revenue** – The FY 2020-21 proposed budget does not assume investment revenue due to the COVID-19 crisis and ensuing market volatility.
- **Miscellaneous Income** – Consists of rental income from the First 5 Association (\$30,000) and Fatherhood Summit 2021 sponsorships (\$195,000)

#### EXPENSES

FY 2020-21 expenditure figures are from the current proposed budget process. For fiscal years 2020-29, total expenses have been reduced so as to leave a minimum fund balance as recommended below. The plan does not provide for any cost of living allowances or inflationary increases. In prior years these increases have been covered within the range of annual budgetary savings, and this is expected to continue in future years as well.

#### Use of Sustainability Funds

At \$6.7 million, the budgeted use of Prop 10 Sustainability Funds for FY 2020-21 is comprised of \$4.1 million to close the gap between revenue and projected expenses and \$2.6 million to support the COVID-19 Community Resilience Fund.

#### MINIMUM FUND BALANCE REQUIREMENTS

The Sustainability Fund cannot be spent down to zero; some funds must be maintained as an operating reserve to cover ongoing cash flow requirements to act as a buffer if there are delays in receiving state tobacco tax revenues or other revenues. The recommendation is to maintain an amount in the Fund Balance, at a minimum, equal to six months of operating expenses plus an amount to cover fiscal obligations.

## HISTORICAL BACKGROUND

The Long Range Financial Plan tool was designed to strategically guide the use of First 5 Alameda County's Sustainability Fund. The Sustainability Fund was established by the First 5 Alameda County Commission as a strategy to ensure a long term commitment to funding services for children age 0-5, even as the tobacco tax revenue declined.

The Sustainability Fund is projected to be approximately \$30 million at the end of the current 2019-20 fiscal year and was accumulated in several ways over the past years. First, the Fund developed through the initial reserve that occurred when tax dollars were accumulated but could not be spent until a Strategic Plan was passed (Jan. 1999-Jan. 2000). Thereafter, contributions to the Sustainability Fund were intentionally budgeted over a number of years (2001-2004). Finally, budgeted funds that remained unspent were directed by the Commission to be added to the Sustainability Fund, rather than be rolled-over to the subsequent year's budget (2001-present). It is important to note however that, Sustainability Funds have been budgeted for program use since 2005-06, which means that expenses have been projected higher than revenues in each of those years, but budget savings in those years made it unnecessary to draw from the Fund. These changes have resulted in draws periodically from the Sustainability Fund only since FY 2009-10.

The following is a summary of the use of sustainability funds as indicated in the Long Range Financial Plan. The plan assumes that Sustainability Funds will continue to be used to maintain a balanced budget, throughout the plan time frame.

<u>Draw down from Sustainability for Operations (\$millions)</u>		
<u>Fiscal Year</u>	<u>Planned draw down</u>	<u>Actual amount drawn</u>
<u>FY 2009-2013 Strategic Plan</u>		
2009-10	\$6.9m	\$3.3m
2010-11	\$9.3m	\$6.7m <sup>1</sup>
2011-12	\$4.1m	\$0.8m
2012-13	\$9.0m	\$5.3m <sup>2</sup>
<u>FY 2013-17 Strategic Plan</u>		
2013-14	\$1.7m	\$0.0
2014-15	\$2.3m	\$1.5m
2015-16	\$2.3m	\$1.2m
2016-17	\$4.9m	\$0.0
<u>FY 2017-22 Strategic Plan</u>		
2017-18	\$3.5m	\$0.0
2018-19	\$2.0m	\$0.0
2019-20	\$5.5m	-
2020-21	\$6.7m	-
2021-22	\$4.1m	-

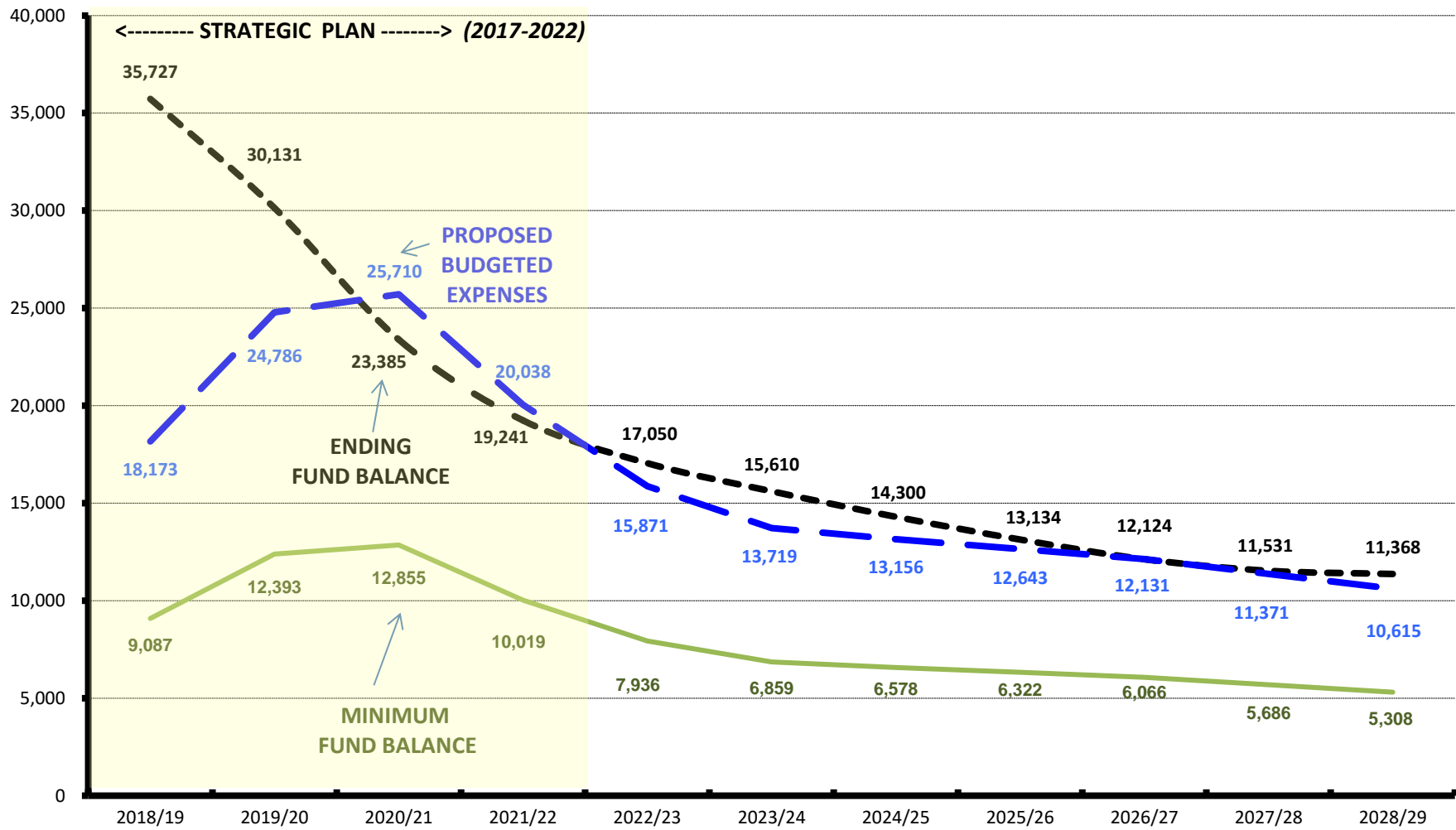
<sup>1</sup> Increased outlay on Contracts in order to reduce fund balance in anticipation of AB 99 – which required all First 5s to transfer half their fund balance to the State of CA by the end of 2012. AB 99 was subsequently repealed, and the threat passed.

<sup>2</sup> Purchase of Office Building at 1115 Atlantic Ave., Alameda in April 2013.



	2017 - 2022 Strategic Plan				2022 - 2025 Strategic Plan			2025-2029 Strategic Plan				
	Actual	Modified	Proposed	2021/22	Projections			Projections				
	2018/19	Budget 2019/20	Budget 2020/21		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	
<i>Dollars in Thousands</i>												
<b>Beginning Fund Balance</b>	34,070	35,727	30,131	23,385	19,241	17,050	15,610	14,300	13,134	12,124	11,531	
<b>REVENUES</b>												
<b>Prop 10 Tobacco Tax</b>	12,132	11,444	11,267	11,006	10,809	10,560	10,190	9,834	9,490	9,157	8,837	
<b>Interagency Income</b>												
- ACBHCS (Parent Voices/ACEPC)	15	44	10									
- AHCESA & All IN Alameda County (Healthy Food, Healthy Families)	30											
- AHCESA (Fathers Corps)	118	153	128	128								
- AHCESA (Fatherhood Summit)	30											
- ACPHD/CA Wellness (Fatherhood Summit)	20											
- ACPHD Project LAUNCH (SAMHSA)	98											
- ACPHD (Data Systems Hosting and Maintenance)	114	108	108	108	108							
- ACPHD HMG Linkage Line	402	434	472	464	480	480	480	480	480	480	480	
- ACPHD Dental Transformation (HTHC)	532	755	396									
- ACPHD Home Visiting/PHOC	0	50	104									
- ACSSA CalWORKS	294	718	718									
- AC Office of Educ. (QRIS Block Grant 4)	50											
- AC Office of Educ. (QRIS Block Grant 5)	462	51	0									
- AC Office of Educ. (QRIS Block Grant 6)		400	178									
- AC Office of Educ. (QRIS Block Grant 7) <b>projected</b>		0	444									
- AC Office of Educ. (QRIS Block Grant 8) <b>projected</b>				444								
- AC Office of Educ. (Inclusive Early Learning)	0	109	96	96	96	48						
- First 5 California (IMPACT)	1,112	1,970										
- First 5 California (IMPACT Incentive Layer)			659									
- First 5 California (IMPACT 2)			973	974	975							
- First 5 San Francisco/Children's' Council of SF (Hub)	85	110	110	110								
- First 5 Association (Census 2020)		6	0									
<b>Fiscal Leveraging</b>												
- MediCal Administrative Activities (MAA)	1,900	1,500	1,500	1,500	1,000	1,000	1,000	1,000	1,000	1,000	1,000	
<b>Grants</b>												
State - CA Dept. of Education (Infant/Toddler Block Grant 2)	55											
State - CA Dept. of Education (QCC QRIS Block Grant)	75	58	0									
State - CA Dept. of Education (QCC QRIS Block Grant #2)		569	545									
State - CA Dept. of Education (QCC QRIS Block Grant #3) <b>projected</b>		0	571									
State - CA Dept. of Education (QCC QRIS Block Grant #4) <b>projected</b>				610								
State - CA Dept. of Education (ELC Workforce Development) <b>projected</b>		0	0									
Local - Alameda Alliance for Health			165									
Private - Long Foundation	300											
- Sunlight Giving		200	235	200								
- CA Wellness Foundation (Workforce Pilot)	20											
- Packard Foundation			25									
Other - Connecticut Children's Medical Center	8	3	6									
- University of Chicago/Chapin Hall	3											
- Center for the Study of Social Policy (DULCE, CQI, PE)	100	100	30									
<b>Investment Income</b>	1,400	375	0	234	192	171	156	143	131	121	115	
<b>Miscellaneous Income</b>	102	33	225	20	20	20	20	20	20	20	20	
<b>TOTAL REVENUES</b>	<b>19,003</b>	<b>19,190</b>	<b>18,965</b>	<b>15,894</b>	<b>13,680</b>	<b>12,279</b>	<b>11,847</b>	<b>11,477</b>	<b>11,121</b>	<b>10,779</b>	<b>10,452</b>	
<b>TOTAL EXPENSES</b>	<b>18,173</b>	<b>24,786</b>	<b>25,710</b>	<b>20,038</b>	<b>15,871</b>	<b>13,719</b>	<b>13,156</b>	<b>12,643</b>	<b>12,131</b>	<b>11,371</b>	<b>10,615</b>	
<b>CASHFLOW</b>												
<b>Total Disbursements</b>	18,173	24,786	25,710	20,038	15,871	13,719	13,156	12,643	12,131	11,371	10,615	
<b>(Shortfall)/Surplus Revenue over Expenses (Use of Sustainability Fund)</b>	857	(4,706)	(6,746)	(4,144)	(2,191)	(1,440)	(1,310)	(1,166)	(1,010)	(593)	(\$163)	
Prior Revenue Received	800	(890)	0									
<b>Ending Fund Balance</b>	<b>35,727</b>	<b>30,131</b>	<b>23,385</b>	<b>19,241</b>	<b>17,050</b>	<b>15,610</b>	<b>14,300</b>	<b>13,134</b>	<b>12,124</b>	<b>11,531</b>	<b>11,368</b>	
<b>MINIMUM FUND BALANCE REQUIRED (50% OR 6 Months of annual disbursement)</b>	<b>9,087</b>	<b>12,393</b>	<b>12,855</b>	<b>10,019</b>	<b>7,936</b>	<b>6,859</b>	<b>6,578</b>	<b>6,322</b>	<b>6,066</b>	<b>5,686</b>	<b>5,308</b>	

### LONG RANGE FINANCIAL PLAN FY 2020-2029 BUDGET & FUND BALANCE (\$000s)





**To:** First 5 Alameda County Executive Committee

**From:** Christine Hom, Finance Officer

**Date:** June 11, 2020

**Subject:** GASB 54 Fund Balance Commitment

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#### REQUESTED ACTION

To review and discuss the commitment of sustainability funds and to give feedback for clarification or changes in preparation for presentation to the Commission on June 18, 2020.

#### BACKGROUND

There is no single number in governmental accounting and financial reporting that attracts more interest and discussion than *fund balance*. Fund balance, also referred to as net assets, is the difference between asset and liabilities in the governmental funds balance sheet.

The Governmental Accounting Standards Board (GASB) adopted Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This statement requires governments to revise how fund balance is reported in its financial statements. The planned use of net assets is required to be reported in various categories depending on the constraints imposed on the use of resources. The categories in which governments are required to categorize fund balance are (in order of most to least constrained): Nonspendable, Restricted, Committed, Assigned and Unassigned. The more constrained the resources, the less likely they can be redeployed to other uses.

#### GASB 54

A hierarchy of fund balance classifications has been created by the Governmental Accounting Standards Board (GASB), based primarily on the extent to which governments are bound by constraints on resources reported in the funds. This approach which is referred to as GASB 54 is intended to provide users more consistent and understandable information about a fund's net resources. GASB 54 went into effect in FY 2010-2011, and for the very first time F5AC's fund balance was presented accordingly in the financial statements for the fiscal year which ended on June 30, 2011. In summary, the hierarchy of five possible classifications of fund balance is:

#### Nonspendable Fund Balance

- Amounts that cannot be spent due to form; for example, inventories and prepaid amounts. Also, long-term loan and notes receivables, and property held for resale would be reported here.

- Amounts that must be maintained intact legally or contractually.

#### **Restricted Fund Balance**

- Amounts constrained for a specific purpose by external parties, constitutional provision or enabling legislation.

#### **Committed Fund Balance**

- Amounts constrained for a specific purpose by a government using its highest level of decision-making authority. It would require action by the same group to remove or change the constraints placed on the resources.
- Action to constrain resources must occur prior to year-end; however, the amount can be determined in the subsequent period.

#### **Assigned Fund Balance**

- For amounts constrained for the intent to be used for a specific purpose by a governing board or a body or official that has been delegated authority to assign amounts.

#### **Unassigned Fund Balance**

- For any remaining amounts not classified as any of the above.

F5AC's Sustainability Fund or stabilization fund currently meets the definition of "Assigned" as defined in GASB 54. These stabilization funds can be categorized as "Committed" by having formal board action. Therefore, we are asking the Commission to formally "commit" stabilization funds. This can be done with a Commission action stating what the stabilization funds must be used for. At the end of the current fiscal year, it is estimated that F5AC will have approximately \$30 million in fund balance and will be reported in the audited financial statements as previously approved by the Commission in June 2019 to be in compliance the requirements of GASB 54.

#### **PROPOSED ACTION TO DESIGNATE FUND BALANCE**

1. To accept Staff's recommendation to designate a portion of fund balance not exceeding \$14.5 million of net assets as at June 30, 2020, as "non-spendable" in order to maintain intact funds for Contracts, Grants and Pre-paid Expenses, in accordance with the FY 2020-21 budget that is up for adoption by the Commission on June 18, 2020.
2. To accept Staff's recommendation to "Assign" a portion of ending fund balance not exceeding \$15.5 million of net assets as at June 30, 2020, for budget stabilization (balancing the budget), in accordance with the Long Range Financial Plan to be adopted by the Commission on June 18, 2020. Funds committed to budget stabilization shall only be used to maintain F5AC services as long as possible during anticipated funding declines in accordance with the Long Range Financial Plan. They can only be committed to other uses by a majority vote of the Commission. These funds are not anticipated to be replenished after they are used for budget stabilization.

**FISCAL IMPACT**

This action is for classification purposes only. There is no fiscal impact.


Use of Fund Balance	Maximum Amount	GASB 54 Classification
FY 2020-21 and FY 2020-21 budgeted Contracts, Grants and prepaid expenses	\$14.5 million	Non-spendable Fund Balance
Budget stabilization - Long Range Financial Plan	\$15.5 million	Assigned Fund Balance


**RECOMMENDATION:**

That the Executive Committee review and recommend the transfer and commitment of sustainability funds as outlined above to the Commission for approval at their next meeting on June 18, 2020.

Submitted by:

Reviewed by:

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 Christine Hom  
 Finance Officer

DocuSigned by:  
  
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 Kristin Spanos  
 Chief Executive Officer



**To:** First 5 Alameda County Executive Committee

**From:** Christine Hom, Finance Officer

**Date:** June 11, 2020

**Subject:** FY 2019-20 Investment Report, July 1, 2019 – March 31, 2020

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**REQUESTED ACTION**

To review the FY 2019-20 Investment Report covering the period July 1, 2019 – March 31, 2020.

**BACKGROUND OF ACTIVITIES**

As required by California Government Code, the investment objectives of First 5 Alameda County 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 investment portfolio is to earn a total rate of return that exceeds the total rate of return on identified benchmarks.

First 5 Alameda County maintains the majority of its funds invested in a portfolio of high quality, very liquid, fixed-income securities, which are professionally managed by the Commission's investment advisor, Chandler Asset Management. The remaining funds continue to be invested with the Alameda County Treasurer's pool. This report summarizes the activity and status of the investment portfolio as of March 31, 2020.

**PORTFOLIO HIGHLIGHTS**

The Investment Report shows the performance of funds that are invested in the portfolio with Chandler Asset Management. At the end of the last fiscal year (June 30, 2019), the total market value of the portfolio was \$28,644,701. The market value of the Chandler portfolio as of March 31, 2020 was \$29,588,866 at a cost of \$28,700,945.



## **INVESTMENT REPORT**

### **Investment Activity**

The Investment Activity shows all transactions affecting our portfolio as of March 31, 2020. Purchases of securities are conducted when a maturity occurs, or when the investment advisor sells a security before maturity to rebalance the portfolio. Rebalancing is conducted to manage the risk profile of the portfolio, diversify portfolio maturities and sectors, protect market value, and enhance overall return.

### **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 Commission's investment advisor buys, sells and exchanges securities consistent with the First 5 Alameda County Investment Policy in order to optimize overall yields.

Total investment earnings for the period ending March 31, 2020 was \$476,660. For the same period last fiscal year, the total investment earnings for the period ending March 31, 2019 was \$417,247. Investment income for this fiscal year is higher than the prior year as a result of rising interest rates. As market rates reset higher, the Commission's portfolio was able to capture higher interest income when funds were reinvested from maturities or sales.

### **Market Value and Unrealized Gains and Losses**

The market value of the portfolio securities changes as a result of market supply and demand, shifts in interest rates, and other factors. There was an unrealized gain position of \$887,921 at the end of March 2020. This is determined by comparing the Cost and the Market Value of the portfolio on that date. This is a gain on paper only, implying that a gain would have been realized, had the portfolio been liquidated on March 31st. Since the portfolio was not liquidated, this section is for informational purposes only. Per the Governmental Accounting Standards Board (GASB), government entities must report unrealized gains and losses on investments (GASB 31).

### **Investment Fees**

Fees include those levied by the portfolio manager and the fees levied by the account custodian Union Bank. The total fees paid during this period were \$23,565.

### **Yield Benchmarks**

Investment yields are compared to the Local Agency Investment Fund (LAIF) and the Alameda County Treasury Investment Pool yields in order to benchmark investment manager performance. Chandler's average portfolio yield for the 9 month period of 2.12% is ahead of the LAIF yield of 1.73% and Alameda County Treasury Investment Pool yield of 1.85% for the year.


**FISCAL IMPACT**

The total realized investment earnings and interest received (net of fees) for July 1, 2019 – March 31, 2020 was \$455,383. Investment revenue for FY 2019-20 is budgeted at \$375,000.

**REQUESTED ACTION**

To review the FY 2019-20 July - March investment report and recommend it be approved by the Commission at their meeting on June 18, 2020.

Submitted by:

DocuSigned by:  
  
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Christine Hom  
Finance Officer

Reviewed by:

DocuSigned by:  
  
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Kristin Spanos  
Chief Executive Officer

**First 5 Alameda County  
Investment Report - Chandler Asset Management  
For the Period July 1, 2019 - March 31, 2020**

**INVESTMENT INCOME:**

<i>Interest Received</i>	\$ 476,660
Total Investment Earnings	\$ 476,660
<i>Less:</i>	
Investment Fees (Chandler)	(21,277)
Union Bank Custodial Fees	(2,288)
<i>Net Investment Income</i>	\$ 455,383

**INVESTMENT ACTIVITY:**

Portfolios - Cost Basis at 6/30/19	\$ 28,212,305
Purchases	\$ 10,425,438
Maturities	\$ (105,000)
Sales	\$ (9,135,872)
Principal Pay Downs	\$ (706,494)
Capital Gains/Losses	\$ 34,132
Chandler and Union Bank Fees	\$ (23,565)
Portfolios - Cost Basis at 3/31/20	\$ 28,700,945

**COST VS. MARKET VALUE:**

Portfolios at Market 3/31/20	\$ 29,588,866
Portfolios at Cost 3/31/20	28,700,945
<i>Unrealized Gain (Loss) at 3/31/20</i>	\$ 887,921

## APPROXIMATE YIELD AND BENCHMARKS (Annualized) for FY 2019-20:

Chandler Asset Management	2.12%
Local Agency Investment Fund (LAIF)	1.73%
Alameda County Treasurer's Pool	1.85%



## First 5 Alameda County

## Holdings Report

Account #10022

As of March 31, 2020

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
<b>ABS</b>									
43811BAC8	Honda Auto Receivables Trust 2017-2 A3 1.68% Due 8/16/2021	44,714.63	04/27/2018 2.62%	44,019.46 44,019.46	99.76 2.50%	44,605.78 33.39	0.15% 586.32	Aaa / AAA NR	1.38 0.30
47788BAD6	John Deere Owner Trust 2017-B A3 1.82% Due 10/15/2021	25,334.08	Various 2.48%	25,134.04 25,134.04	99.63 3.56%	25,241.36 20.49	0.08% 107.32	Aaa / NR AAA	1.54 0.21
47788CAC6	John Deere Owner Trust 2018-A A3 2.66% Due 4/18/2022	55,864.09	02/21/2018 2.68%	55,860.07 55,860.07	99.27 0.41%	55,456.03 66.04	0.19% (404.04)	Aaa / NR AAA	2.05 0.43
43815HAC1	Honda Auto Receivables Trust 2018-3 A3 2.95% Due 8/22/2022	231,936.30	08/21/2018 2.98%	231,904.48 231,904.48	100.92 1.70%	234,070.10 190.06	0.79% 2,165.62	Aaa / NR AAA	2.39 0.72
47788EAC2	John Deere Owner Trust 2018-B A3 3.08% Due 11/15/2022	275,000.00	07/18/2018 3.10%	274,979.16 274,979.16	100.62 2.16%	276,714.35 376.44	0.93% 1,735.19	Aaa / NR AAA	2.63 0.66
43815NAC8	Honda Auto Receivables Trust 2019-3 A3 1.78% Due 8/15/2023	205,000.00	08/20/2019 1.79%	204,998.30 204,998.30	100.53 1.50%	206,082.61 162.18	0.69% 1,084.31	Aaa / AAA NR	3.38 1.86
477870AC3	John Deere Owner Trust 2019-B A3 2.21% Due 12/15/2023	105,000.00	07/16/2019 2.23%	104,977.71 104,977.71	100.82 1.74%	105,858.06 103.13	0.36% 880.35	Aaa / NR AAA	3.71 1.69
92348AAA3	Verizon Owner Trust 2019-C A1A 1.94% Due 4/22/2024	140,000.00	10/01/2019 1.95%	139,989.21 139,989.21	100.25 1.82%	140,350.00 82.99	0.47% 360.79	NR / AAA AAA	4.06 1.96
65479JAD5	Nissan Auto Receivables Owner 2019-C A3 1.93% Due 7/15/2024	220,000.00	10/16/2019 1.94%	219,988.38 219,988.38	100.99 1.49%	222,169.20 188.71	0.75% 2,180.82	Aaa / AAA NR	4.29 2.18
47789KAC7	John Deere Owner Trust 2020-A A3 1.1% Due 8/15/2024	155,000.00	03/04/2020 1.11%	154,990.53 154,990.53	98.17 1.87%	152,160.40 94.72	0.51% (2,830.13)	Aaa / NR AAA	4.38 2.39
<b>Total ABS</b>		<b>1,457,849.10</b>	<b>2.30%</b>	<b>1,456,841.34</b>	<b>1.77%</b>	<b>1,462,707.89</b> <b>1,318.15</b>	<b>4.93%</b> <b>5,866.55</b>	<b>Aaa / AAA</b> <b>AAA</b>	<b>3.27</b> <b>1.42</b>
<b>AGENCY</b>									
3137EAEK1	FHLMC Note 1.875% Due 11/17/2020	275,000.00	11/21/2017 1.96%	274,287.43 274,287.43	101.04 0.21%	277,865.78 1,919.27	0.94% 3,578.35	Aaa / AA+ AAA	0.63 0.62
3135G0F73	FNMA Note 1.5% Due 11/30/2020	625,000.00	12/29/2015 1.87%	614,175.00 614,175.00	100.67 0.49%	629,211.25 3,151.04	2.13% 15,036.25	Aaa / AA+ AAA	0.67 0.66
3130A7CV5	FHLB Note 1.375% Due 2/18/2021	525,000.00	02/17/2016 1.46%	522,879.00 522,879.00	100.90 0.35%	529,747.05 862.24	1.79% 6,868.05	Aaa / AA+ AAA	0.89 0.88



First 5 Alameda County

Holdings Report

Account #10022

As of March 31, 2020

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
<b>AGENCY</b>									
3135G0J20	FNMA Note 1.375% Due 2/26/2021	620,000.00	Various 1.47%	617,378.04 617,378.04	100.95 0.32%	625,891.24 828.82	2.11% 8,513.20	Aaa / AA+ AAA	0.91 0.90
3135G0K69	FNMA Note 1.25% Due 5/6/2021	300,000.00	06/29/2016 1.18%	301,020.00 301,020.00	100.80 0.52%	302,397.90 1,510.42	1.02% 1,377.90	Aaa / AA+ AAA	1.10 1.09
3135G0U35	FNMA Note 2.75% Due 6/22/2021	425,000.00	06/28/2018 2.70%	425,629.00 425,629.00	102.88 0.39%	437,228.95 3,214.06	1.48% 11,599.95	Aaa / AA+ AAA	1.23 1.20
3130A8QS5	FHLB Note 1.125% Due 7/14/2021	330,000.00	10/04/2016 1.33%	326,950.80 326,950.80	101.01 0.34%	333,339.27 794.06	1.12% 6,388.47	Aaa / AA+ AAA	1.29 1.28
3137EAEC9	FHLMC Note 1.125% Due 8/12/2021	550,000.00	09/26/2016 1.28%	545,952.00 545,952.00	101.03 0.37%	555,650.70 842.19	1.87% 9,698.70	Aaa / AA+ AAA	1.37 1.35
3135G0N82	FNMA Note 1.25% Due 8/17/2021	225,000.00	10/04/2016 1.37%	223,783.43 223,783.43	101.15 0.41%	227,580.75 343.75	0.77% 3,797.32	Aaa / AA+ AAA	1.38 1.37
3135G0Q89	FNMA Note 1.375% Due 10/7/2021	200,000.00	10/27/2016 1.50%	198,782.00 198,782.00	101.45 0.41%	202,909.20 1,329.17	0.69% 4,127.20	Aaa / AA+ AAA	1.52 1.49
3130AF5B9	FHLB Note 3% Due 10/12/2021	250,000.00	11/29/2018 2.91%	250,630.00 250,630.00	104.01 0.37%	260,021.75 3,520.83	0.89% 9,391.75	Aaa / AA+ NR	1.53 1.49
3135G0S38	FNMA Note 2% Due 1/5/2022	600,000.00	04/25/2017 1.92%	602,190.00 602,190.00	102.87 0.37%	617,191.80 2,866.67	2.09% 15,001.80	Aaa / AA+ AAA	1.77 1.73
3135G0T45	FNMA Note 1.875% Due 4/5/2022	560,000.00	06/19/2017 1.88%	559,915.44 559,915.44	102.98 0.39%	576,687.44 5,133.33	1.96% 16,772.00	Aaa / AA+ AAA	2.01 1.96
3135G0T78	FNMA Note 2% Due 10/5/2022	500,000.00	10/17/2017 2.04%	499,000.00 499,000.00	103.61 0.55%	518,059.00 4,888.89	1.76% 19,059.00	Aaa / AA+ AAA	2.52 2.43
3135G0T94	FNMA Note 2.375% Due 1/19/2023	425,000.00	Various 2.72%	418,473.00 418,473.00	105.39 0.44%	447,906.65 2,018.75	1.51% 29,433.65	Aaa / AA+ AAA	2.81 2.71
3137EAEN5	FHLMC Note 2.75% Due 6/19/2023	350,000.00	07/20/2018 2.86%	348,243.00 348,243.00	107.13 0.51%	374,961.30 2,727.08	1.27% 26,718.30	Aaa / AA+ AAA	3.22 3.08
313383YJ4	FHLB Note 3.375% Due 9/8/2023	100,000.00	10/29/2018 3.08%	101,313.00 101,313.00	110.11 0.41%	110,105.50 215.63	0.37% 8,792.50	Aaa / AA+ NR	3.44 3.27
3135G0U43	FNMA Note 2.875% Due 9/12/2023	540,000.00	09/12/2018 2.96%	537,786.00 537,786.00	107.80 0.59%	582,119.46 819.38	1.96% 44,333.46	Aaa / AA+ AAA	3.45 3.30
3130A0F70	FHLB Note 3.375% Due 12/8/2023	490,000.00	Various 2.74%	504,102.90 504,102.90	111.14 0.33%	544,602.66 5,190.94	1.85% 40,499.76	Aaa / AA+ AAA	3.69 3.47



First 5 Alameda County

Holdings Report

Account #10022

As of March 31, 2020

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
<b>AGENCY</b>									
3130AB3H7	FHLB Note 2.375% Due 3/8/2024	550,000.00	04/29/2019 2.37%	550,038.50 550,038.50	107.03 0.57%	588,641.90 834.55	1.98% 38,603.40	Aaa / AA+ NR	3.94 3.77
3130A1XJ2	FHLB Note 2.875% Due 6/14/2024	550,000.00	06/18/2019 1.96%	573,792.90 573,792.90	110.47 0.36%	607,567.96 4,699.82	2.06% 33,775.06	Aaa / AA+ NR	4.21 3.96
3130A2UW4	FHLB Note 2.875% Due 9/13/2024	475,000.00	09/13/2019 1.79%	499,600.25 499,600.25	109.91 0.61%	522,066.80 682.81	1.76% 22,466.55	Aaa / AA+ AAA	4.46 4.20
3135G0W66	FNMA Note 1.625% Due 10/15/2024	410,000.00	Various 1.27%	416,324.90 416,324.90	104.68 0.58%	429,204.81 3,016.63	1.45% 12,879.91	Aaa / AA+ AAA	4.55 4.35
3135G0X24	FNMA Note 1.625% Due 1/7/2025	520,000.00	Various 1.22%	529,792.20 529,792.20	104.97 0.57%	545,839.84 1,901.26	1.84% 16,047.64	Aaa / AA+ AAA	4.78 4.58
3137EAEP0	FHLMC Note 1.5% Due 2/12/2025	645,000.00	02/13/2020 1.52%	644,503.35 644,503.35	104.35 0.59%	673,048.47 1,263.13	2.27% 28,545.12	Aaa / AA+ AAA	4.87 4.69
<b>Total Agency</b>		<b>11,040,000.00</b>	<b>1.93%</b>	<b>11,086,542.14</b>	<b>0.45%</b>	<b>11,519,847.43</b> <b>54,574.72</b>	<b>38.94%</b> <b>433,305.29</b>	<b>Aaa / AA+</b> <b>AAA</b>	<b>2.62</b> <b>2.52</b>
<b>CORPORATE</b>									
747525AD5	Qualcomm Inc Note 2.25% Due 5/20/2020	160,000.00	06/11/2015 2.49%	158,228.00 158,228.00	99.99 2.33%	159,979.20 1,310.00	0.54% 1,751.20	A2 / A- NR	0.14 0.14
594918BG8	Microsoft Callable Note Cont. 10/3/2020 2% Due 11/3/2020	160,000.00	10/29/2015 2.02%	159,872.00 159,872.00	100.22 1.55%	160,351.68 1,315.56	0.54% 479.68	Aaa / AAA AA+	0.59 0.50
00440EAT4	Chubb INA Holdings Inc Callable Note Cont 10/3/2020 2.3% Due 11/3/2020	340,000.00	02/06/2017 2.17%	341,601.40 341,601.40	100.11 2.07%	340,363.12 3,214.89	1.16% (1,238.28)	A3 / A A	0.59 0.50
30231GAV4	Exxon Mobil Corp Callable Note Cont 2/1/2021 2.222% Due 3/1/2021	415,000.00	Various 1.97%	419,645.45 419,645.45	100.65 1.50%	417,698.75 768.44	1.41% (1,946.70)	Aaa / AA NR	0.92 0.90
24422ESL4	John Deere Capital Corp Note 2.8% Due 3/4/2021	182,000.00	05/24/2017 2.12%	186,428.06 186,428.06	100.79 1.93%	183,441.26 382.20	0.62% (2,986.80)	A2 / A A	0.93 0.91
369550BE7	General Dynamics Corp Note 3% Due 5/11/2021	345,000.00	Various 3.25%	342,578.25 342,578.25	100.77 2.29%	347,654.43 4,025.00	1.18% 5,076.18	A2 / A NR	1.11 1.08
857477AV5	State Street Bank Note 1.95% Due 5/19/2021	215,000.00	05/16/2016 1.96%	214,888.20 214,888.20	99.56 2.34%	214,055.51 1,537.25	0.73% (832.69)	A1 / A AA-	1.13 1.11



First 5 Alameda County

Holdings Report

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CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
<b>CORPORATE</b>									
594918BP8	Microsoft Callable Note Cont 7/8/2021 1.55% Due 8/8/2021	285,000.00	Various 1.57%	284,662.35 284,662.35	100.70 0.99%	286,982.18 650.36	0.97% 2,319.83	Aaa / AAA AA+	1.36 1.26
68389XBK0	Oracle Corp Callable Note Cont 8/15/2021 1.9% Due 9/15/2021	350,000.00	11/29/2016 2.40%	342,163.50 342,163.50	100.29 1.68%	351,031.45 295.56	1.18% 8,867.95	A3 / A+ A-	1.46 1.35
89236TDP7	Toyota Motor Credit Corp Note 2.6% Due 1/11/2022	350,000.00	03/14/2018 3.04%	344,477.20 344,477.20	100.52 2.30%	351,803.20 2,022.22	1.19% 7,326.00	A1 / AA- A+	1.78 1.72
532457BQ0	Eli Lilly & Co Note 2.35% Due 5/15/2022	350,000.00	08/24/2017 2.15%	353,052.00 353,052.00	102.05 1.37%	357,183.75 3,107.22	1.21% 4,131.75	A2 / A+ NR	2.12 2.05
69353RFE3	PNC Bank Callable Note Cont 6/28/2022 2.45% Due 7/28/2022	380,000.00	07/25/2017 2.45%	379,965.80 379,965.80	99.59 2.63%	378,440.48 1,629.25	1.28% (1,525.32)	A2 / A A+	2.33 2.24
44932HAC7	IBM Credit Corp Note 2.2% Due 9/8/2022	340,000.00	11/29/2017 2.58%	334,247.20 334,247.20	101.75 1.46%	345,960.54 477.89	1.17% 11,713.34	A2 / A NR	2.44 2.37
48128BAB7	JP Morgan Chase & Co Callable Note 1X 1/15/2022 2.972% Due 1/15/2023	295,000.00	02/09/2018 3.19%	292,153.25 292,153.25	101.62 2.04%	299,779.00 1,850.90	1.01% 7,625.75	A2 / A- AA-	2.79 1.73
24422ETG4	John Deere Capital Corp Note 2.8% Due 3/6/2023	150,000.00	05/21/2018 3.48%	145,521.00 145,521.00	102.51 1.92%	153,761.55 291.67	0.52% 8,240.55	A2 / A A	2.93 2.80
084670BR8	Berkshire Hathaway Callable Note Cont 1/15/2023 2.75% Due 3/15/2023	250,000.00	11/26/2018 3.51%	242,522.50 242,522.50	103.47 1.47%	258,675.75 305.56	0.87% 16,153.25	Aa2 / AA A+	2.96 2.68
037833AK6	Apple Inc Note 2.4% Due 5/3/2023	255,000.00	11/28/2018 3.54%	243,216.45 243,216.45	104.26 1.00%	265,850.25 2,516.00	0.90% 22,633.80	Aa1 / AA+ NR	3.09 2.96
02665WCJ8	American Honda Finance Note 3.45% Due 7/14/2023	110,000.00	07/11/2018 3.49%	109,809.70 109,809.70	101.27 3.04%	111,396.56 811.71	0.38% 1,586.86	A3 / A NR	3.29 3.07
69371RP59	Paccar Financial Corp Note 3.4% Due 8/9/2023	270,000.00	08/06/2018 3.41%	269,889.30 269,889.30	101.08 3.06%	272,903.04 1,326.00	0.92% 3,013.74	A1 / A+ NR	3.36 3.14
06406RAJ6	Bank of NY Mellon Corp Note 3.45% Due 8/11/2023	350,000.00	05/16/2019 2.79%	359,205.00 359,205.00	103.98 2.22%	363,917.05 1,677.08	1.23% 4,712.05	A1 / A AA-	3.36 3.16
02665WCQ2	American Honda Finance Note 3.625% Due 10/10/2023	260,000.00	10/03/2018 3.64%	259,786.80 259,786.80	101.60 3.14%	264,167.28 4,476.88	0.90% 4,380.48	A3 / A NR	3.53 3.24
06051GHF9	Bank of America Corp Callable Note 1X 3/5/2023 3.55% Due 3/5/2024	350,000.00	03/06/2019 3.24%	351,424.50 351,424.50	104.01 2.13%	364,038.15 897.36	1.23% 12,613.65	A2 / A- A+	3.93 2.78



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CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
<b>CORPORATE</b>									
89114QCB2	Toronto Dominion Bank Note 3.25% Due 3/11/2024	350,000.00	03/26/2019 2.97%	354,431.00 354,431.00	105.37 1.83%	368,785.20 631.94	1.24% 14,354.20	Aa3 / A AA-	3.95 3.70
404280BS7	HSBC Holdings PLC Callable Note 1X 5/18/2023 3.95% Due 5/18/2024	350,000.00	08/28/2019 2.38%	367,794.00 367,794.00	102.47 3.11%	358,641.85 5,107.57	1.22% (9,152.15)	A2 / A A+	4.13 2.89
69371RQ25	Paccar Financial Corp Note 2.15% Due 8/15/2024	75,000.00	08/08/2019 2.20%	74,834.25 74,834.25	97.16 2.85%	72,868.35 206.04	0.25% (1,965.90)	A1 / A+ NR	4.38 4.12
78015K7C2	Royal Bank of Canada Note 2.25% Due 11/1/2024	355,000.00	12/05/2019 2.26%	354,815.40 354,815.40	100.48 2.14%	356,714.65 3,483.44	1.21% 1,899.25	A2 / A AA	4.59 4.29
14913Q3B3	Caterpillar Finl Service Note 2.15% Due 11/8/2024	325,000.00	02/19/2020 1.83%	329,628.00 329,628.00	100.44 2.05%	326,444.63 2,775.59	1.11% (3,183.37)	A3 / A A	4.61 4.33
90331HPL1	US Bank NA Callable Note Cont 12/21/2024 2.05% Due 1/21/2025	365,000.00	01/16/2020 2.10%	364,222.55 364,222.55	99.26 2.21%	362,312.14 1,454.93	1.22% (1,910.41)	A1 / AA- AA-	4.81 4.53
<b>Total Corporate</b>		<b>7,982,000.00</b>	<b>2.62%</b>	<b>7,981,063.11</b> <b>7,981,063.11</b>	<b>2.06%</b>	<b>8,095,201.00</b> <b>48,548.51</b>	<b>27.40%</b> <b>114,137.89</b>	<b>A1 / A+</b> <b>A+</b>	<b>2.64</b> <b>2.37</b>
<b>MONEY MARKET FUND FI</b>									
60934N104	Federated Investors Government Obligations Fund	63,068.86	Various 0.34%	63,068.86 63,068.86	1.00 0.34%	63,068.86 0.00	0.21% 0.00	Aaa / AAA AAA	0.00 0.00
<b>Total Money Market Fund FI</b>		<b>63,068.86</b>	<b>0.34%</b>	<b>63,068.86</b> <b>63,068.86</b>	<b>0.34%</b>	<b>63,068.86</b> <b>0.00</b>	<b>0.21%</b> <b>0.00</b>	<b>Aaa / AAA</b> <b>AAA</b>	<b>0.00</b> <b>0.00</b>
<b>MUNICIPAL BONDS</b>									
13063DRK6	California St Taxable GO 2.4% Due 10/1/2024	345,000.00	10/16/2019 1.91%	352,924.65 352,924.65	103.31 1.63%	356,409.15 3,611.00	1.21% 3,484.50	Aa2 / AA- AA	4.51 4.22
<b>Total Municipal Bonds</b>		<b>345,000.00</b>	<b>1.91%</b>	<b>352,924.65</b> <b>352,924.65</b>	<b>1.63%</b>	<b>356,409.15</b> <b>3,611.00</b>	<b>1.21%</b> <b>3,484.50</b>	<b>Aa2 / AA-</b> <b>AA</b>	<b>4.51</b> <b>4.22</b>
<b>SUPRANATIONAL</b>									
45950KCM0	International Finance Corp Note 2.25% Due 1/25/2021	545,000.00	Various 2.49%	541,364.20 541,364.20	101.40 0.53%	552,635.45 2,248.13	1.87% 11,271.25	Aaa / AAA NR	0.82 0.81





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<b>SUPRANATIONAL</b>									
4581X0CW6	Inter-American Dev Bank Note 2.125% Due 1/18/2022	545,000.00	01/10/2017 2.15%	544,329.65 544,329.65	102.84 0.54%	560,474.19 2,348.42	1.89% 16,144.54	Aaa / NR AAA	1.80 1.76
4581X0CZ9	Inter-American Dev Bank Note 1.75% Due 9/14/2022	250,000.00	09/26/2017 2.01%	246,912.50 246,912.50	102.99 0.52%	257,483.50 206.60	0.87% 10,571.00	Aaa / AAA AAA	2.46 2.40
<b>Total Supranational</b>		<b>1,340,000.00</b>	<b>2.26%</b>	<b>1,332,606.35</b> <b>1,332,606.35</b>	<b>0.53%</b>	<b>1,370,593.14</b> <b>4,803.15</b>	<b>4.63%</b> <b>37,986.79</b>	<b>Aaa / AAA</b> <b>AAA</b>	<b>1.53</b> <b>1.50</b>
<b>US TREASURY</b>									
912828B90	US Treasury Note 2% Due 2/28/2021	240,000.00	04/26/2016 1.40%	246,741.43 246,741.43	101.76 0.08%	244,218.72 417.39	0.82% (2,522.71)	Aaa / AA+ AAA	0.92 0.91
912828T34	US Treasury Note 1.125% Due 9/30/2021	555,000.00	11/09/2016 1.48%	545,614.56 545,614.56	101.38 0.21%	562,631.25 17.06	1.89% 17,016.69	Aaa / AA+ AAA	1.50 1.49
912828J43	US Treasury Note 1.75% Due 2/28/2022	580,000.00	03/13/2017 2.14%	569,512.10 569,512.10	102.92 0.22%	596,947.02 882.61	2.01% 27,434.92	Aaa / AA+ AAA	1.92 1.89
912828XG0	US Treasury Note 2.125% Due 6/30/2022	450,000.00	08/15/2017 1.82%	456,382.37 456,382.37	104.30 0.21%	469,371.15 2,416.90	1.59% 12,988.78	Aaa / AA+ AAA	2.25 2.20
912828L24	US Treasury Note 1.875% Due 8/31/2022	250,000.00	09/26/2017 1.87%	250,108.26 250,108.26	103.92 0.25%	259,795.00 407.61	0.88% 9,686.74	Aaa / AA+ AAA	2.42 2.37
912828L57	US Treasury Note 1.75% Due 9/30/2022	540,000.00	10/17/2017 1.99%	534,009.38 534,009.38	103.72 0.26%	560,102.58 25.82	1.88% 26,093.20	Aaa / AA+ AAA	2.50 2.45
912828N30	US Treasury Note 2.125% Due 12/31/2022	450,000.00	01/25/2018 2.46%	443,003.91 443,003.91	105.07 0.27%	472,816.35 2,416.90	1.60% 29,812.44	Aaa / AA+ AAA	2.75 2.67
912828V23	US Treasury Note 2.25% Due 12/31/2023	425,000.00	06/26/2019 1.78%	433,533.20 433,533.20	107.17 0.32%	455,480.58 2,416.90	1.54% 21,947.38	Aaa / AA+ AAA	3.75 3.60
912828B66	US Treasury Note 2.75% Due 2/15/2024	600,000.00	04/29/2019 2.31%	611,859.38 611,859.38	109.29 0.34%	655,734.60 2,085.16	2.21% 43,875.22	Aaa / AA+ AAA	3.88 3.70
912828X70	US Treasury Note 2% Due 4/30/2024	110,000.00	06/10/2019 1.92%	110,386.72 110,386.72	106.69 0.35%	117,356.25 924.73	0.40% 6,969.53	Aaa / AA+ AAA	4.08 3.91
912828XX3	US Treasury Note 2% Due 6/30/2024	600,000.00	12/12/2019 1.74%	606,867.19 606,867.19	106.92 0.36%	641,508.00 3,032.97	2.17% 34,640.81	Aaa / AA+ AAA	4.25 4.08
912828D56	US Treasury Note 2.375% Due 8/15/2024	600,000.00	08/29/2019 1.45%	626,601.56 626,601.56	108.74 0.36%	652,429.80 1,800.82	2.20% 25,828.24	Aaa / AA+ AAA	4.38 4.17



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<b>US TREASURY</b>									
9128283D0	US Treasury Note 2.25% Due 10/31/2024	450,000.00	11/07/2019 1.77%	460,177.73 460,177.73	108.53 0.37%	488,390.40 4,255.84	1.66% 28,212.67	Aaa / AA+ AAA	4.59 4.34
912828ZC7	US Treasury Note 1.125% Due 2/28/2025	525,000.00	03/18/2020 0.81%	533,100.59 533,100.59	103.67 0.37%	544,257.00 513.59	1.83% 11,156.41	Aaa / AA+ AAA	4.92 4.79
<b>Total US Treasury</b>		<b>6,375,000.00</b>	<b>1.78%</b>	<b>6,427,898.38</b>	<b>0.29%</b>	<b>6,721,038.70</b> <b>21,614.30</b>	<b>22.68%</b> <b>293,140.32</b>	<b>Aaa / AA+</b> <b>AAA</b>	<b>3.25</b> <b>3.13</b>
				<b>28,700,944.83</b>		<b>29,588,866.17</b>	<b>100.00%</b>	<b>Aa1 / AA</b>	<b>2.77</b>
<b>TOTAL PORTFOLIO</b>		<b>28,602,917.96</b>	<b>2.12%</b>	<b>28,700,944.83</b>	<b>0.94%</b>	<b>134,469.83</b>	<b>887,921.34</b>	<b>AAA</b>	<b>2.53</b>
<b>TOTAL MARKET VALUE PLUS ACCRUED</b>						<b>29,723,336.00</b>			



**To:** First 5 Alameda County Executive Committee

**From:** Christine Hom, Finance Officer

**Date:** June 11, 2020

**Subject:** F5AC Investment Policy Revisions

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#### **ACTION REQUESTED**

To review the following revisions to the Investment Policy.

#### **BACKGROUND**

First 5 Alameda County (F5AC) originally adopted an Investment Policy in May 2005. The policy is reviewed by staff on an annual basis and revisions are brought to the Executive Committee and Commission for consideration and approval as necessary.

Each year, prior to such review, F5AC Finance staff works with the investment manager, Chandler Asset Management to ensure compliance with California Government Code Sections 16429.1, 53600 – 53609, and 53630 – 53686, which guides the investment of public funds and to incorporate industry best practices.

#### **RECOMMENDATIONS**

The following revisions are proposed to the investment policy that was last approved by the Commission in June 2017. The major changes and the reasons are shown in “track changes” for easy identification.

1. Section II: Objectives, 3.: Replace “Yield” with “Return” (page 2)
2. Section VI: Eligible Investments:
  - a. A. Authorized Investments, 2. Federal Instrumentality Securities: Add clarification that the maximum percent of agency callable securities in the portfolio will be 20% (page 7)
  - b. A. Authorized Investments, 8: Add reference to authorized issuers not defined in sections 1 and 2 of the policy having a rating of at least “AA” or the equivalent by a NRSRO, delete reference of “A” rating (page 8)
  - c. A. Authorized Investments, 9: Add clarification to money market mutual funds purchased having the highest ranking or highest letter and numerical rating by no less than two NRSROs (page 8)

3. Section VIII: Social and Environmental Concerns: Addition of language stating that investments in corporate securities and depository institutions will be evaluated for social and environmental concerns. Investments are encouraged in entities that support equality of rights and that practice environmentally sound and fair labor practices. Investments are discouraged in entities that receive a significant portion of their revenues from the manufacturer of firearms, or weapons not used in our national defense. Investments that receive any revenues from the manufacturer of tobacco products is prohibited (page 11)


**FISCAL IMPACT**

There is no fiscal impact.

**RECOMMENDATION**

To review and recommend any changes to the proposed revised Investment Policy in preparation for presentation to the Commission on June 18<sup>th</sup>.

Submitted by:

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Christine Hom  
Finance Officer

Reviewed by:

DocuSigned by:  
  
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Kristin Spanos  
Chief Executive Officer

## FIRST 5 ALAMEDA COUNTY INVESTMENT POLICY

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**ADOPTED MAY 2005; AMENDED DEC. 2005, MAY 2006, JUNE 2007, JUNE 2008, JUNE 2009, JUNE 2010 JUNE 2011, JUNE 2012, MAY 2013, DECEMBER 2014, OCTOBER 2015, ~~AND JUNE 2017~~ AND JUNE 2020**

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### I. APPLICABILITY

The Investment Policy (the “Policy”) of First 5 Alameda County (“F5AC”) is intended to cover all funds and investment activities under the direction of F5AC. All funds shall be invested in accordance with this Policy and California Government Code Section 53601 et seq. related to the investment of public funds.

The primary funds available for investment are maintained in F5AC’s Sustainability Fund. The Long Range Financial Plan guides F5AC’s use of the Sustainability Fund with the goal of sustaining program spending at a high level as the tobacco tax declines. It is anticipated that the Sustainability Fund will be used by F5AC for program services over the course of the next 8-10 years.

The Sustainability Fund (the “Fund”) was accumulated in several ways: First, the Fund developed through the initial reserve that occurred when tax dollars were accumulated but funds could not be spent until a Strategic Plan was passed (Jan. 1999 - Jan. 2000). In addition, contributions to the Sustainability Fund were budgeted over a number of years (2001 - 2004). Finally, budgeted funds that remained unspent were directed to the Sustainability Fund rather than rolling to the subsequent year’s budget (2001-present).

The Executive Committee shall assure that F5AC operates its investing activities in accordance with this Policy. To carry out this charge, the Executive Committee’s responsibilities include the following:

1. Review the overall investment philosophy of F5AC, determine whether the investment practices follow that philosophy and this Policy, and recommend appropriate changes to the Commission.
2. Establish benchmarks and strategies for the investment portfolio. Monitor the investment performance of F5AC’s portfolio for compliance with established benchmarks.
3. Monitor the cash flow requirements of F5AC and assure investments mature to provide the amounts needed. Periodically review the appropriateness of the model and assumptions used to estimate these requirements.
4. Ensure F5AC’s compliance with applicable laws and regulations.
5. Monitor and direct the selection, evaluation, and retention of each broker/dealer, investment manager, custodian or other agent utilized by F5AC to implement the investment function. Negotiate compensation with them and monitor expenses paid and services received.

Prepare semi-annual investment reports and present to the Commission. Also communicate to the Commission actions taken by the Committee in meeting the responsibilities described herein.

## II. OBJECTIVES

F5AC's funds shall be invested in accordance with all applicable F5AC policies and codes, State statutes, and Federal regulations, and in a manner designed to accomplish the following objectives, which are listed in priority order:

1. **SAFETY.** Safety of principal is the foremost objective of the investment program. The objective shall be to mitigate credit risk and interest rate risk.
  - a. *Credit Risk.* F5AC shall minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:
    - Limiting investments to the types of securities listed in Section VI of this Policy.
    - Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which F5AC will do business in accordance with Section IV.
    - Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer shall be minimized.
  - b. *Interest Rate Risk.* F5AC shall minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:
    - Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity to meet liquidity needs.
    - Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio in accordance with Section VII of this Policy.
2. **LIQUIDITY.** The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). In addition, F5AC shall maintain a minimum of three months of operating expenditures in the Alameda County Treasury.
3. **~~YIELD~~RETURN.** The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance

compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities generally shall be held until maturity, with the following exceptions:

- A security with declining credit may be sold early to minimize loss of principal.
- A security swap would improve the quality, yield, or target duration in the portfolio.
- Liquidity needs of the portfolio require that the security be sold.

### III. STANDARDS OF CARE

1. **PRUDENCE.** The standard of prudence to be used by investment officials shall be the "prudent investor standard" and shall be applied in the context of managing an overall portfolio. The "prudent investor" standard states that all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the Agency, that a prudent investor acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the Agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law."

F5AC's overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. F5AC's recognizes that no investment is totally without risk and that the investment activities of F5AC are a matter of public record. Accordingly, F5AC recognizes that occasional measured losses may occur in a diversified portfolio and shall be considered within the context of the overall portfolio's return, provided that adequate diversification has been implemented and that the sale of a security is in the best long-term interest of F5AC.

The Finance Officer and authorized investment personnel acting in accordance with established procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectations are reported in a timely fashion to the Executive Committee and appropriate action is taken to control adverse developments.

2. **ETHICS AND CONFLICTS OF INTEREST.** Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Portfolio managers who are dealers should not buy securities from their own or related companies. Employees and officers shall refrain from undertaking personal investment

transactions with the same individual with whom business is conducted on behalf of F5AC. Individuals acting on behalf of F5AC in accordance with this Policy and related written procedures and exercising due diligence shall be relieved of personal liability for any individual security's risk or market changes.

3. **DELEGATION OF AUTHORITY.** The management responsibility for the investment program is hereby delegated to the Chief Executive Officer (the CEO) who has further delegated the authority to conduct investment transactions and to manage the operation of the investment portfolio to the Finance Officer. The Finance Officer shall maintain a list of persons authorized to transact securities business for F5AC and no person may engage in an investment transaction except as expressly provided under the terms of this Policy.

The Finance Officer shall develop written administrative procedures and internal controls, consistent with this Policy, for the operation of F5AC's investment program. Such procedures shall be designed to prevent losses arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees.

F5AC's Finance Officer may engage the support services of outside investment advisors in regard to its investment program, so long as it can be demonstrated that these services produce a net financial advantage or necessary financial protection of the Town's financial resources. The advisor(s) shall follow this Policy and such other written instructions as are provided.

#### **IV. SELECTION OF FINANCIAL INSTITUTIONS, DEPOSITORIES AND BROKER/DEALERS**

##### **1. SELECTION OF FINANCIAL INSTITUTIONS AND DEPOSITORIES**

The Finance Officer shall maintain a list of FDIC insured banks approved to provide depository and other banking services for F5AC. To be eligible, a bank shall qualify as a depository of public funds in the State of California as defined in California Government Code Section 53630.5 and shall secure deposits in excess of FDIC insurance coverage in accordance with California Government Code Section 53652.

2. **SELECTION OF BROKER/DEALERS.** The Finance Officer shall maintain a list of broker/dealers authorized to provide investment services. All broker/dealers who desire to become qualified for investment transactions must meet the following criteria:

- Be recognized as a Primary Dealer by the Federal Reserve Bank of New York or have a primary dealer within their holding company structure; or
- Report voluntarily to the Federal Reserve Bank of New York; or
- Qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (Uniform Net Capital Rule).



Each authorized broker/dealer shall maintain a minimum capital requirement of \$10,000,000 and have been in operation at least five years. In addition, authorized broker/dealers shall submit and annually update a F5AC approved Broker/Dealer Information Request form which includes the following information:

- The firm's most recent financial statements;
- Proof of Financial Industry Regulatory Authority (FINRA) certification; and
- Evidence of adequate insurance coverage.

Furthermore, authorized broker/dealers must be licensed by the State of California as a broker/dealer as defined in Section 25004 of the California Corporations Code.

In the event that an external investment advisor is not used in the process of recommending a particular transaction in F5AC's portfolio, authorized broker/dealers shall attest in writing that they have received and reviewed a copy of this Policy.

An annual review of the financial condition and registration of all qualified broker/dealers shall be conducted by the Finance Officer and the Executive Committee.

3. **MINORITY AND COMMUNITY FINANCIAL INSTITUTIONS.** From time to time, the Finance Officer may choose to invest in instruments offered by minority and community financial institutions. In such situations, a waiver to certain parts of the criteria under Paragraph 2 may be granted by the Executive Committee. All terms and relationships shall be fully disclosed to the Executive Committee prior to purchase.
4. **WORKING WITH INVESTMENT ADVISORS/PORTFOLIO MANAGERS.** Investment advisors and portfolio managers shall be selected by the Executive Committee or their designee after an initial screening and an interview process. Among the criteria for selection shall be the stability of the institution, track record, customer service, ability to comply with these investment policies, and typical return on investment.

Portfolio managers shall maintain detailed accounting records related to investment transactions and balances. They shall prepare and submit the following reports and records to F5AC:

- Monthly, a list of investments owned, including type of security, CUSIP number, number of shares, date purchased, maturity date, interest rate, accrued interest, purchase cost and market value.
- Investment advice within five business days of any trade.
- Documentation supporting three bids or offers obtained for each security purchased or sold.
- Quarterly, a report demonstrating compliance with this Policy.

- Notice of noncompliance, within five business days of the transaction, when the rating of an individual security declines below that allowed by this Policy, or the percentage of the portfolio in an investment type exceeds the maximum allowed by this Policy, or the amount allowed to be invested in one issuer exceeds the percentage allowed by this Policy.

## V. SAFEKEEPING AND CUSTODY

The Finance Officer shall select one or more financial institutions to provide safekeeping and custodial services for F5AC. A Safekeeping Agreement shall be executed with each custodian bank prior to utilizing that bank's safekeeping services. Custodian banks shall be selected on the basis of their ability to provide services for F5AC's account and the competitive pricing of their safekeeping related services.

The purchase and sale of securities and repurchase agreement transactions shall be settled on a delivery versus payment basis. All securities shall be perfected in the name of the F5AC. Sufficient evidence to title shall be consistent with modern investment, banking and commercial practices.

All investment securities, except non-negotiable Certificates of Deposit, Money Market Funds and LAIF, purchased by the F5AC shall be delivered by either book entry or physical delivery and shall be held in third-party safekeeping by a F5AC approved custodian bank, its correspondent bank or its Depository Trust Company (DTC) participant account.

All Fed wireable book entry securities owned by the F5AC shall be held in the Federal Reserve System in a customer account for the custodian bank which shall name the F5AC as "customer."

All DTC eligible securities shall be held in the custodian bank's DTC participant account and the custodian bank shall provide evidence that the securities are held for the F5AC as "customer."

All non-book entry (physical delivery) securities shall be held by the custodian bank or its correspondent bank and the custodian bank shall provide evidence that the securities are held by the bank for the Town as "customer."

## VI. ELIGIBLE INVESTMENTS

### A. Authorized Investments

All investments shall be made in accordance with Sections 16429.1, 53600 – 53609, and 53630 – 53686 of the Government Code of California and as described within this Policy. Minimum credit quality and concentration limits shall apply at time of purchase. Permitted investments under this Policy shall include:

1. U.S. Treasury Obligations: Treasury bills, Treasury notes, Treasury bonds and Treasury STRIPS with maturities not exceeding six years from the date of trade settlement. There is no limit on the percentage of the portfolio that may be invested in these obligations.
  2. Federal Instrumentality Securities: Debentures, discount notes, callable securities, step-up securities and stripped principal or coupons with maturities not exceeding five years from the date of trade settlement. Federal Instrumentality securities shall be rated at least AAA or the equivalent by a nationally recognized statistical-rating organization (NRSRO) at the time of purchase. There is no limit on the percentage of the portfolio that may be invested in instrumentalities. The maximum percent of agency callable securities in the portfolio will be 20%.
  3. Negotiable Certificates of Deposit: Certificates of Deposit with a maturity not exceeding five years and issued by institutions which have long-term debt rated at least A or the equivalent by a NRSRO and/or have short-term debt rated at least A1 or the equivalent by a NRSRO. No more than 30% of the total portfolio may be invested in CDs.
  4. Repurchase agreements: Repurchase Agreements with a final maturity date not exceeding 1 year, collateralized by U.S. Treasury obligations or Federal Instrumentality securities listed in items 1 and 2. For the purpose of this section, the term collateral shall mean purchased securities under the terms of F5AC's approved Master Repurchase Agreement. The purchased securities shall have a minimum market value including accrued interest of 102% of the dollar value of the funds borrowed. Collateral shall be held in safekeeping in F5AC's name by its custodian bank and the market value of the collateral securities shall be marked-to-the-market daily. There is no limit on the amount to be invested in repurchase agreements.
  5. Prime Commercial paper: Prime Commercial Paper with a maturity not exceeding 270 days from the date of trade settlement with the highest ranking or of the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions in either sub-paragraph A. or sub-paragraph B. below:
    - A. The entity shall (1) be organized and operating in the United States as a general corporation, (2) have total assets in excess of \$500,000,000 and (3) have debt other than commercial paper, if any, that is rated A or higher by a NRSRO.
    - B. The entity shall (1) be organized within the United States as a special purpose corporation, trust, or limited liability company, (2) have program-wide credit enhancements, including, but not limited to, over collateralization, letters of credit or surety bond and (3) have commercial paper that is rated A-1 or higher, or the equivalent, by a NRSRO.
- No more than 25% of the total portfolio shall be invested in commercial paper. F5AC may purchase no more than 10% of the outstanding commercial paper of any single issuer.

6. State of California's Local Agency Investment Fund (LAIF): LAIF, in accordance with California Government Code Section 16429.1. LAIF investments are limited to statutory limits.
7. Corporate Medium-term Notes: Corporate medium-term notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States, with a final maturity not exceeding five years from the date of trade settlement, and rated at least A or the equivalent by a NRSRO. The aggregate investment in medium-term notes shall not exceed 30% of the total portfolio.
8. Mortgage Pass-through Securities and Asset-backed Securities from issuers not defined in sections 1 and 2 of the Authorized Investments section of this policy: Mortgage pass-through securities and asset-backed securities shall have a maximum legal final maturity of five years and shall be rated at least "AA" or the equivalent by a NRSRO, ~~with the issuer having a long-term rating of "A" or higher by a NRSRO~~. No more than 20 percent of the portfolio may be invested in such securities, and no more than 5% of the portfolio may be invested in any single issuer.
9. Money Market Mutual Funds: Money market mutual funds which are registered under the Investment Act of 1940; are "no-load" (meaning no commission or fee shall be charged on purchases or sales or shares); have a constant net asset value of \$1.00; invest only in the securities and obligations authorized in California statutes; and have attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs ~~are rated AAA or the equivalent by a NRSRO~~. The aggregate investment in money market funds shall not exceed 20% of the portfolio.
10. Local Agency Obligations and Municipal Securities: Obligations of the State of California, California local agency obligations, as well as registered treasury notes or bonds of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California, whose long-term rating is at least A or the equivalent by at least one NRSRO. No more than 5% of the portfolio may be invested in any single issuer, and no more than 30% of the portfolio may be in Municipal Securities. The maximum maturity shall not exceed five (5) years.
11. Supranationals: Issues are US dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank. The securities shall be rated "AA" or higher by a NRSRO. No more than 30% of the total portfolio may be invested in these securities, with no more than 10% of the portfolio invested in any single issuer. The maximum maturity shall not exceed five (5) years.

## B. Prohibited investment vehicles and practices

1. State law notwithstanding, any investments not specifically described herein are prohibited, including, but not limited to, mutual funds (other than government money market funds as described in Section VI A(9)), unregulated and/or unrated investment pools or trusts, collateralized mortgage obligations and futures and options.
2. Investing in inverse floaters, range notes, or mortgage derived interest-only strips is prohibited, per Government Code Section 53601.6.
3. Investment in any security that could result in a zero interest accrual if held to maturity is prohibited.
4. Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited.
5. Purchasing or selling securities on margin is prohibited.
6. Using reverse repurchase agreements, securities lending or any other form of borrowing or leverage is prohibited.
7. Purchasing securities issued by company in the tobacco business, including parent companies and their controlled subsidiaries, is prohibited.
8. Purchasing foreign currency denominated securities.

Prohibited investments held in the portfolio at the time of adoption of this Policy may be held until maturity at the discretion of the Finance Director.

## C. Mitigating credit risk in the portfolio

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. F5AC shall mitigate credit risk in the following ways:

1. Abiding by the diversification requirements included in Section VI (A);
2. Limiting 5% of the total portfolio to securities of any single issuer, other than the US Government, its agencies and instrumentalities;
3. Electing to sell a security prior to its maturity and record a capital gain or loss in order to improve the quality, liquidity or yield of the portfolio in response to market conditions or F5AC's risk preferences; and

4. Reviewing securities owned by F5AC which are downgraded to a level below the quality required by this Policy. In such cases it shall be F5AC's policy to review the credit situation and make a determination as to whether to sell or retain such securities in the portfolio.
  - If a security is downgraded two grades below the level required by F5AC, the security shall be sold immediately.
  - If a security is downgraded one grade below the level required by this Policy, the F5AC Finance Director shall use discretion in determining whether to sell or hold the security based on its current maturity, the loss in value, the economic outlook for the issuer, and other relevant factors.
  - If a decision is made to retain a downgraded security in the portfolio, its presence in the portfolio shall be monitored and reported monthly to the Executive Committee and the Commission of F5AC.

#### **D. Mitigating market risk in the portfolio**

Market risk is the risk that the portfolio will decline in value (or will not optimize its value) due to changes in the general level of interest rates. F5AC recognizes that, over time, longer-term portfolios achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. F5AC shall mitigate market risk by providing adequate liquidity for short-term cash needs, and by making some longer-term investments only with funds that are not needed for current cashflow purposes. F5AC further recognizes that certain types of securities, including variable rate securities, securities with principal paydowns prior to maturity, and securities with embedded options, will affect the market risk profile of the portfolio differently in different interest rate environments. Therefore, the following strategies shall be adopted to control and mitigate exposure to market risk:

- F5AC shall attempt to match its investments with anticipated cash flow requirements.
- Maximum final maturity of investments in the Treasury and Agency securities shall not exceed six years. All other investments shall have a final maturity as stated in Section VI, Eligible Investments.
- The weighted average maturity of the portfolio shall not exceed three years.
- Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding six years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of funds.

#### **VII. Performance objectives and expectations**

The investment portfolio shall be designed to attain a market rate of return throughout budgetary and economic cycles, taking into account prevailing market conditions, risk

constraints for eligible securities, and cash flow requirements. The performance of F5AC's investments shall be compared relative to the chosen market benchmark(s), which will be included in the monthly report. An appropriate, readily available index to use as a market benchmark will be selected. When comparing the performance of F5AC's portfolio, its rate of return shall be computed net of all fees and expenses.

## **VIII. SOCIAL AND ENVIRONMENTAL CONCERNS**

In the event all general objectives mandated by state law and set forth in Section II above are met and created equal, investments in corporate securities and depository institutions will be evaluated for social and environmental concerns. Investments are encouraged in entities that support equality of rights regardless of sex, race, religion, creed, age, disability, or sexual orientation, as well as those entities that practice environmentally sound and fair labor practices. Investments are discouraged in entities that receive a significant portion of their revenues from the manufacturer of firearms, or weapons not used in our national defense. Investments that receive any revenues from the manufacturer of tobacco products is prohibited.

## **VIIIIX. REPORTING**

Semi-annually, the Finance Officer shall submit to the Executive Committee a report of the investment earnings and performance results of F5AC's investment portfolio. The report shall include the following information:

1. Investment type, issuer, date of maturity, par value and dollar amount invested in all securities, and investments and monies held by the F5AC;
2. A description of the funds, investments and programs;
3. A market value as of the date of the report (or the most recent valuation as to assets not valued monthly) and the source of the valuation;
4. A statement of compliance with this Policy or an explanation for non-compliance; and
5. A statement of F5AC's ability to meet expenditure requirements for six months, and an explanation of why money will not be available if that is the case.

### **MONTHLY REPORTS**

Monthly investment reports will be submitted or made available upon request to the Executive Committee within 30 days of the end of the reporting period. These reports will disclose, at a minimum, the following information about the characteristics of First 5 Alameda County's portfolio:

1. An asset listing showing par value, cost and independent third-party fair market value of each security as of the date of the report, the source of the valuation, type of investment, issuer, maturity date and interest rate.
2. Monthly transactions for the period.

3. A one-page summary report that shows:
  - a. Average maturity of the portfolio and modified duration of the portfolio;
  - b. Maturity distribution of the portfolio;
  - c. Average portfolio credit quality; and,
  - d. Time-weighted total rate of return for the portfolio for the prior one month, three months, twelve months and since inception compared to the First 5 Alameda's market benchmark returns for the same periods;
4. A statement of compliance with investment policy, including a schedule of any transactions or holdings which do not comply with this policy or with the California Government Code, including a justification for their presence in the portfolio and a timetable for resolution.
5. A statement that First 5 Alameda County has adequate funds to meet its cash flow requirements for the next six months.

#### **ANNUAL REPORTS**

A comprehensive annual report will be presented to the Commission. This report will include comparisons of the portfolio return to the market benchmark return, suggest policies and improvements that might enhance the investment program, and will include an investment plan for the coming year.

#### **~~IXX.~~ POLICY REVIEW**

This Investment Policy shall be adopted as needed and no less frequently than bi-annually by resolution of the Executive Committee. It shall be reviewed by F5AC at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity, yield and diversification and its relevance to current law and economic trends. Amendments to this Investment Policy shall be approved by resolution of the Executive Committee.

#### **Glossary of Investment Terms**

**AGENCIES.** Shorthand market terminology for any obligation issued by a *government-sponsored entity (GSE)*, or a *federally related institution*. Most obligations of GSEs are not guaranteed by the full faith and credit of the US government. Examples are:

**FFCB.** The Federal Farm Credit Bank System provides credit and liquidity in the agricultural industry. FFCB issues discount notes and bonds.

**FHLB.** The Federal Home Loan Bank provides credit and liquidity in the housing market. FHLB issues discount notes and bonds.

**FHLMC.** Like FHLB, the Federal Home Loan Mortgage Corporation provides credit and liquidity in the housing market. FHLMC, also called "FreddieMac" issues discount notes, bonds and mortgage pass-through securities.



**FNMA.** Like FHLB and FreddieMac, the Federal National Mortgage Association was established to provide credit and liquidity in the housing market. FNMA, also known as “FannieMae,” issues discount notes, bonds and mortgage pass-through securities.

**GNMA.** The Government National Mortgage Association, known as “GinnieMae,” issues mortgage pass-through securities, which are guaranteed by the full faith and credit of the US Government.

**PEFCO.** The Private Export Funding Corporation assists exporters. Obligations of PEFCO are not guaranteed by the full faith and credit of the US government.

**TVA.** The Tennessee Valley Authority provides flood control and power and promotes development in portions of the Tennessee, Ohio, and Mississippi River valleys. TVA currently issues discount notes and bonds.

**ASKED.** The price at which a seller offers to sell a security.

**ASSET BACKED SECURITIES.** Securities supported by pools of installment loans or leases or by pools of revolving lines of credit.

**AVERAGE LIFE.** In mortgage-related investments, including CMOs, the average time to expected receipt of principal payments, weighted by the amount of principal expected.

**BANKER’S ACCEPTANCE.** A money market instrument created to facilitate international trade transactions. It is highly liquid and safe because the risk of the trade transaction is transferred to the bank which “accepts” the obligation to pay the investor.

**BENCHMARK.** A comparison security or portfolio. A performance benchmark is a partial market index, which reflects the mix of securities allowed under a specific investment policy.

**BID.** The price at which a buyer offers to buy a security.

**BROKER.** A broker brings buyers and sellers together for a transaction for which the broker receives a commission. A broker does not sell securities from his own position.

**CALLABLE.** A callable security gives the issuer the option to call it from the investor prior to its maturity. The main cause of a call is a decline in interest rates. If interest rates decline since an issuer issues securities, it will likely call its current securities and reissue them at a lower rate of interest. Callable securities have reinvestment risk as the investor may receive its principal back when interest rates are lower than when the investment was initially made.

**CERTIFICATE OF DEPOSIT (CD).** A time deposit with a specific maturity evidenced by a certificate. Large denomination CDs may be marketable.

**CERTIFICATE OF DEPOSIT ACCOUNT REGISTRY SYSTEM (CDARS).** A private placement service that allows local agencies to purchase more than \$250,000 in CDs from a single financial institution (must be a participating institution of CDARS) while still maintaining FDIC insurance coverage. CDARS is currently the only entity providing this service. CDARS facilitates the trading of deposits between the California institution and other participating institutions in amounts that are less than \$250,000 each, so that FDIC coverage is maintained.

**COLLATERAL.** Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits of public monies.

**COLLATERALIZED MORTGAGE OBLIGATIONS (CMO).** Classes of bonds that redistribute the cash flows of mortgage securities (and whole loans) to create securities that have different levels of prepayment risk, as compared to the underlying mortgage securities.

**COMMERCIAL PAPER.** The short-term unsecured debt of corporations.

**COST YIELD.** The annual income from an investment divided by the purchase cost. Because it does not give effect to premiums and discounts which may have been included in the purchase cost, it is an incomplete measure of return.

**COUPON.** The rate of return at which interest is paid on a bond.

**CREDIT RISK.** The risk that principal and/or interest on an investment will not be paid in a timely manner due to changes in the condition of the issuer.

**CURRENT YIELD.** The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

**DEALER.** A dealer acts as a principal in security transactions, selling securities from and buying securities for his own position.

**DEBENTURE.** A bond secured only by the general credit of the issuer.

**DELIVERY VS. PAYMENT (DVP).** A securities industry procedure whereby payment for a security must be made at the time the security is delivered to the purchaser's agent.

**DERIVATIVE.** Any security that has principal and/or interest payments which are subject to uncertainty (but not for reasons of default or credit risk) as to timing and/or amount, or any security which represents a component of another security which has been separated from other components ("Stripped" coupons and principal). A derivative is also defined as a financial instrument the value of which is totally or partially derived from the value of another instrument, interest rate, or index.

**DISCOUNT.** The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as T-bills and banker's acceptances, are known as discount securities. They sell at a discount from par, and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

**DIVERSIFICATION.** Dividing investment funds among a variety of investments to avoid excessive exposure to any one source of risk.

**DURATION.** The weighted average time to maturity of a bond where the weights are the present values of the future cash flows. Duration measures the price sensitivity of a bond to changes in interest rates. (See modified duration).

**FEDERAL FUNDS RATE.** The rate of interest charged by banks for short-term loans to other banks. The Federal Reserve Bank through open-market operations establishes it.

**FEDERAL OPEN MARKET COMMITTEE.** A committee of the Federal Reserve Board that establishes monetary policy and executes it through temporary and permanent changes to the supply of bank reserves.

**LEVERAGE.** Borrowing funds in order to invest in securities that have the potential to pay earnings at a rate higher than the cost of borrowing.

**LIQUIDITY.** The speed and ease with which an asset can be converted to cash.

**LOCAL AGENCY INVESTMENT FUND (LAIF).** A voluntary investment fund open to government entities and certain non-profit organizations in California that is managed by the State Treasurer's Office.

**LOCAL GOVERNMENT INVESTMENT POOL.** Investment pools that range from the State Treasurer's Office Local Agency Investment Fund (LAIF) to county pools, to Joint Powers Authorities (JPAs).

These funds are not subject to the same SEC rules applicable to money market mutual funds.

**MAKE WHOLE CALL.** A type of call provision on a bond that allows the issuer to pay off the remaining debt early. Unlike a call option, with a make whole call provision, the issuer makes a lump sum payment that equals the net present value (NPV) of future coupon payments that will not be paid because of the call. With this type of call, an investor is compensated, or "made whole."

**MARGIN.** The difference between the market value of a security and the loan a broker makes using that security as collateral.

**MARKET RISK.** The risk that the value of securities will fluctuate with changes in overall market conditions or interest rates.

**MARKET VALUE.** The price at which a security can be traded.

**MARKING TO MARKET.** The process of posting current market values for securities in a portfolio.

**MATURITY.** The final date upon which the principal of a security becomes due and payable.

**MEDIUM TERM NOTES.** Unsecured, investment-grade senior debt securities of major corporations which are sold in relatively small amounts on either a continuous or an intermittent basis. MTNs are highly flexible debt instruments that can be structured to respond to market opportunities or to investor preferences.

**MODIFIED DURATION.** The percent change in price for a 100 basis point change in yields. Modified duration is the best single measure of a portfolio's or security's exposure to market risk.

**MONEY MARKET.** The market in which short-term debt instruments (T-bills, discount notes, commercial paper, and banker's acceptances) are issued and traded.

**MORTGAGE PASS-THROUGH SECURITIES.** A securitized participation in the interest and principal cash flows from a specified pool of mortgages. Principal and interest payments made on the mortgages are passed through to the holder of the security.

**MUNICIPAL SECURITIES.** Securities issued by state and local agencies to finance capital and operating expenses.

**MUTUAL FUND.** An entity which pools the funds of investors and invests those funds in a set of securities which is specifically defined in the fund's prospectus. Mutual funds can be invested in various types of domestic and/or international stocks, bonds, and money market instruments, as set forth in the individual fund's prospectus. For most large, institutional investors, the costs associated with investing in mutual funds are higher than the investor can obtain through an individually managed portfolio.

**NEGOTIABLE CD.** A short-term debt instrument that pays interest and is issued by a bank, savings or federal association, state or federal credit union, or state-licensed branch of a foreign bank. Negotiable CDs are traded in a secondary market and are payable upon order to the bearer or initial depositor (investor).

**NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO).** Examples include S&P, Moodys, and Fitch ratings.

**PREMIUM.** The difference between the par value of a bond and the cost of the bond, when the cost is above par.

**PREPAYMENT SPEED.** A measure of how quickly principal is repaid to investors in mortgage securities.

**PREPAYMENT WINDOW.** The time period over which principal repayments will be received on mortgage securities at a specified prepayment speed.

**PRIMARY DEALER.** A financial institution (1) that is a trading counterparty with the Federal Reserve in its execution of market operations to carry out U.S. monetary policy, and (2) that participates for statistical reporting purposes in compiling data on activity in the U.S. Government securities market.

**PRUDENT PERSON (PRUDENT INVESTOR) RULE.** A standard of responsibility which applies to fiduciaries. In California, the rule is stated as “Investments shall be managed with the care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of like character and with like aims to accomplish similar purposes.”

**REALIZED YIELD.** The change in value of the portfolio due to interest received and interest earned and realized gains and losses. It does not give effect to changes in market value on securities, which have not been sold from the portfolio.

**REGIONAL DEALER.** A financial intermediary that buys and sells securities for the benefit of its customers without maintaining substantial inventories of securities and that is not a primary dealer.

**REPURCHASE AGREEMENT.** Short-term purchases of securities with a simultaneous agreement to sell the securities back at a higher price. From the seller’s point of view, the same transaction is a reverse repurchase agreement.

**SAFEKEEPING.** A service to bank customers whereby securities are held by the bank in the customer’s name.

**STRUCTURED NOTE.** A complex, fixed income instrument, which pays interest, based on a formula tied to other interest rates, commodities or indices. Examples include inverse floating rate notes which have coupons that increase when other interest rates are falling, and which fall when other interest rates are rising, and “dual index floaters,” which pay interest based on the relationship between two other interest rates - for example, the yield on the ten-year Treasury note minus the Libor rate. Issuers of such notes lock in a reduced cost of borrowing by purchasing interest rate swap agreements.

**SUPRANATIONAL.** A Supranational is a multi-national organization whereby member states transcend national boundaries or interests to share in the decision making to promote economic development in the member countries.

**TOTAL RATE OF RETURN.** A measure of a portfolio’s performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending value; it includes interest earnings, realized and unrealized gains, and losses in the portfolio.

**U.S. TREASURY OBLIGATIONS.** Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk, and are the benchmark for interest rates on all other securities in the US and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

**TREASURY BILLS.** All securities issued with initial maturities of one year or less are issued as discounted instruments, and are called Treasury bills. The Treasury currently issues three- and six-month T-bills at regular weekly auctions. It also issues “cash management” bills as needed to smooth out cash flows.

**TREASURY NOTES.** All securities issued with initial maturities of two to ten years are called Treasury notes, and pay interest semi-annually.

**TREASURY BONDS.** All securities issued with initial maturities greater than ten years are called Treasury bonds. Like Treasury notes, they pay interest semi-annually.

**VOLATILITY.** The rate at which security prices change with changes in general economic conditions or the general level of interest rates.

**YIELD TO MATURITY.** The annualized internal rate of return on an investment which equates the expected cash flows from the investment to its cost.



**To:** First 5 Alameda County Executive Committee

**From:** Mojgan Vijeh, Director of Operations & Technology

**Date:** June 11, 2020

**Subject:** FY 2020-2021 ACERA 401(h) Account Authorization

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#### **ACTION REQUESTED**

That the Executive Committee review the resolution to fund the FY 2020-2021 ACERA 401(h) account with the purpose of providing tax free health benefits to retirees.

#### **BACKGROUND**

In order for the Alameda County Employees Retirement Association (ACERA) to provide tax-free health benefits to its retirees, it is required that participating agencies such as First 5 Alameda County establish and pay post-retirement benefits through a 401(h) account. In 2007-08, the Commission authorized the establishment of such an account.

The 401(h) account, also called the Advance Reserve Account, is funded by a portion of regular First 5 retirement contributions. First 5 contributions are then supplemented by the Supplemental Retiree Benefits Reserve (SRBR) in the amount of the 401(h) contribution. The effect is a no-cost transaction.

For FY 2020-2021 (and every year), it is required that the participating member agencies of ACERA authorize the required contributions to the account. The required contribution is determined by ACERA's actuary, Segal Consulting. Based on the actuarial analysis, First 5's contribution for FY 2020-2021 is \$57,261.54. The contribution per pay period is \$2,202.37 beginning with pay period 20-14.

#### **FISCAL IMPACT**

There is no fiscal impact.

**RECOMMENDATION**

That the Executive Committee recommend the FY 2020-2021 ACERA 401(h) account authorization be approved by the Commission at the meeting on June 18, 2020.

Submitted by:

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Mojgan Vijeh  
Director of Operations & Technology

Reviewed by:

DocuSigned by:  
  
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Kristin Spanos  
Chief Executive Officer

## RESOLUTION

### FIRST 5 ALAMEDA COUNTY RESOLUTION APPROVING 401(h) ACCOUNT PURSUANT TO SECTION 31592

**WHEREAS**, in 1996, the Alameda County Employee's Retirement Association ("ACERA") Board of Retirement informed the Board of Supervisors that by adoption of Resolution No. 96-111, the Board of Retirement had established a health benefits account intended to satisfy the requirements of Internal Revenue Code ("IRC") Section 401(h) and the regulations thereunder (the "401(h) Account") in order to provide non-vested, tax-free health benefits to eligible County and Participating Employer retirees (collectively, the "Retirees"); and

**WHEREAS**, in 1996, this Board of Supervisors adopted Resolution No. R-96-634, which provided that ACERA could offer such non-taxable benefits if the County designated a portion of its contribution to ACERA for a fiscal year as a contribution to the 401(h) Account, and

**WHEREAS**, under Section 31592.4 and Article 5.5 of the County Employees Retirement Law of 1937 ("CERL"), assets in the Supplemental Retiree Benefit Reserves (the "SRBR") at the end of a fiscal year of ACERA may, in the immediately succeeding fiscal year, be transferred to the Advance Reserves of the Participating Employers, and treated as a contribution to ACERA by the County and as applicable by other Participating Employers to the extent that in the immediately succeeding fiscal year the County and other Participating Employers make contributions to ACERA's 401(h) Account in order to pay for retiree health benefits; and

**WHEREAS**, Section 31592.4 and Article 5.5 of the CERL thus permit the Participating Employers to contribute to a 401(h) Account and pay for retiree health benefits for a fiscal year without increasing First 5 Alameda County's total contributions to ACERA for that fiscal year; and

**WHEREAS**, commencing with the 1996-1997 fiscal year, and for each fiscal year thereafter, the County has directed that a specified portion of its fiscal year contribution to ACERA for that year be contributed to the 401(h) Account; and

**WHEREAS**, in 2007 First 5 Alameda County authorized ACERA to establish and manage a 401(h) sub-account on its behalf to provide tax free health care for its retirees.

#### **NOW THEREFORE, IT IS RESOLVED AS FOLLOWS:**

1. In fiscal year July 1, 2020 – June 30, 2021, First 5 Alameda County shall contribute to ACERA \$57,261.54 to be used only for the paying of retiree medical health benefits.



This contribution shall be made on the terms and conditions set forth in the Agreement between First 5 Alameda County and ACERA concerning such contributions, executed on June 28, 2007.

2. This contribution shall be designated, in writing, as being only for First 5 Alameda County's IRC § 401(h) Account, and such designation shall be made at the time of contribution.
3. Such contribution is contingent on the Board of Retirement immediately transferring, in accordance with Government Code §31592.4, an amount equal to such contribution from ACERA's SRBR account to First 5 Alameda County's advance reserve account. Such amount shall be treated as a contribution for pension and therefore shall be applied to reduce the pension contribution otherwise required by First 5 Alameda County for the fiscal year beginning July 1, 2020.
4. No party, including any existing or future First 5 Alameda County employee, retiree, spouse or dependent, shall have any vested rights, contractual rights or other rights in or to any retiree medical benefits or payment or subsidy for any such benefits nor shall any such person or ACERA have any such rights to have First 5 Alameda County contribute towards paying or subsidizing the cost of any retiree medical benefits provided by ACERA under the 401(h) Account or otherwise. First 5 Alameda County may modify or terminate, at any time and without any limitation, its decision to contribute to First 5's 401(h) Account. This modification or termination may occur even if it may affect any employee first hired prior to the date of such modification, any person who retired prior to such date, and/or any person who became a spouse or dependent of an employee or retiree prior to such date.
5. All contributions by First 5 Alameda County to its 401(h) sub-account shall be governed by requirements of the Internal Revenue Code and all administrative and other applicable rules established by ACERA governing such sub-account and ACERA's 401(h) Account.



**To:** First 5 Alameda County Executive Committee  
**From:** Lyssa DeGolia, Human Resources Administrator  
**Date:** June 4, 2020  
**Subject:** Salary Guidelines Revisions

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**REQUESTED ACTION**

To review the proposed revisions to the First 5 Alameda County Employee Salary Guidelines.

**BACKGROUND**

First 5 Alameda County has Employee Salary Guidelines to guide and systematize setting salaries and granting salary increases.

Proposed revisions are made in consultation with Joan Pugh Newman at Wiley Price & Radulovich and allow additional administrative flexibility for the agency. No salary range changes are proposed.

**PROPOSED REVISIONS TO EMPLOYEE SALARY GUIDELINES**

- Add Flexible Classification language to the Employee Salary Guidelines. This includes noting Flexible Classifications on Salary Levels Ranges and providing administrative details (Page 2 & 3)
- Add Salary Footnote language to the “Lateral Moves & Changes in the Same Job Description” section (Page 5)

The proposed changes will allow agency leadership administrative flexibility to address business need in the organization, as operational and analytical tasks shift over time and become more complex. In addition, this will also support employee retention strategies. Specifically, the Flexible Classification language allows the agency to efficiently align business need and employee compensation whereas the Salary Footnote language allows for additional compensation to staff providing discrete tasks that differentiate them from employees who share that same classification.

**FISCAL IMPACT**

No projected impact at this time; any salary changes will be made within the approved budget.

**RECOMMENDATION**

That the Executive Committee recommend the above revisions to the Salary Guidelines to the Commission for approval at their next meeting on June 18, 2020.

Submitted by:

DocuSigned by:  
*Lyssa DeGolia*  
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Lyssa DeGolia  
Human Resources Administrator

Reviewed by:

DocuSigned by:  
*Kristin Spanos*  
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Kristin Spanos  
Chief Executive Officer



## Employee Salary Guidelines

### Purpose and Goals

The First 5 Alameda County (F5AC) Salary Guidelines were developed to achieve three overall goals:

- Provide competitive market-based salaries to attract and retain high quality staff
- Provide a fair and equitable system where compensation is commensurate with the responsibility level and qualifications
- Keep the compensation structure simple so it is clear, understandable and easy to administer

### Job Classification System

F5AC uses a job classification system to offer a coherent salary structure where compensation progression is tied directly to the responsibility level and qualifications required for each position.

- The job classification system is a hierarchy of jobs grouped by job level.
- Job levels are not determined by specific duties, but rather by overall responsibility level, job duty complexity and qualifications required.
- This structure was originally developed through an independent third-party assessment of all positions and has evolved with organizational changes and program/functional requirements.

F5AC’s job levels and general descriptions are below. Salary ranges have been standardized for all positions in a level except at the Director & Administrator levels. The current salary ranges for each level are shown below.

Level	Description	2020 Salary Range
<b>CEO</b>	Responsible for managing the entire Agency including resource deployment. Requires significant organizational planning and development duties. Manages any level employee.	\$137,526 - \$185,659
<b>Director</b>	Responsible for managing an entire operating unit (including the entire Agency) or multiple major Agency-wide programmatic or functional areas, including resource deployment within those areas. Requires significant organizational planning and development duties. Salary ranges in the Director level vary to accommodate different levels of responsibility.	Director of Operations & Technology \$124,739- \$168,398  Director \$104,926 - \$145,138

<b>Finance</b>	Responsible for Finance Department planning, management and oversight, including professional level employee supervision. This classification differs from Director because it does not exercise director-level management duties and oversight responsibilities are fewer.	\$105,996 - \$145,469
<b>Senior Administrator</b>	Responsible for planning, managing and oversight of multiple program or functional areas, including professional level employee supervision. This classification differs from Directors because it does not exercise director-level management duties and oversight responsibilities are fewer.	\$95,397 - \$131,944
<b>Administrator</b>	Responsible for overall planning, management and support of at least one program or functional area. When employee supervision is a responsibility of the position, strong management experience is required.	Administrator, Finance & Evaluation \$85,857 - \$119,678  Administrator \$77,272 - \$108,551
<b>Manager II &amp; Family Service Specialist II</b>	Responsible for supervising the day-to-day activities of at least one program or functional area, involving significant program and/or administrative responsibilities, including planning and supervisory duties. This level may also include positions that provide direct services to families requiring specific licenses. Employee Supervisory responsibilities are not required for this level.	\$69,543 - \$98,459
<b>Manager</b> <u>(option to flex into Manager II)</u>	Responsible for supervising day-to-day activities of at least one program or functional area, involving hands-on duties requiring specific technical or content knowledge. Supervisory duties are generally limited.	\$63,002- \$85,052
<b>Family Service Specialist</b> <u>(option to flex into Family Services Specialist II)</u>	Provides direct services to families without a requirement for specific licenses.	\$54,423- \$73,486

<p><b>Senior Associate</b></p>	<p>Responsible for Associate level and Manager level responsibilities. Manager level responsibilities have a defined, limited scope typically not more than one-third of working time. Senior Associates must meet the minimum qualifications of the comparable Manager position.</p>	<p>\$51,832- \$69,972</p>
<p><b>Associate</b> <u>(option to flex into Senior Associate)</u></p>	<p>Responsible for coordinating and performing day-to-day program or functional area activities, requiring a moderate skill-level and some prior experience.</p>	<p>\$47,012- \$63,481</p>

**Flexible Staffing Classifications**

Flexible Staffing classifications are designated for classifications that provide both entry level classification and a second step that allows for more complex responsibilities within the same classification group. “Flexing” from entry level to the second step will be based on agency business needs for increasingly necessary complex duties for the function, not on time spent in the classification. Employees must have an “Exceeds Expectations” overall rating in the most recent annual review process to be considered for the flex opportunity.

The following are Flexible Classifications:

- Administrative Associate to Senior Associate
- Family Services Specialist to Family Services Specialist II
- Manager to Manager II

To request a Flexible Classification, the manager or supervisor must propose justifications in writing why the more complex responsibilities are required to meet business need warranting a higher classification and estimated budget impacts to their supervisor and/or Division Director. Once approved by the Division Director, the request should be submitted to Human Resources for review. Human Resources proposes the Flexible Classification recommendation to the CEO for approval. Any proposed changes must have CEO approval prior to offering or discussing with the employee.

**Individual Compensation Guidelines**

The guidelines for determining individual employee compensation include:

- Determining starting salaries
  - Supervision Differential
  - Temporary Employee Salaries
- Cost of living adjustments (COLA)
- Merit Increases
- Job Classification Changes
- Lateral Moves ~~&~~, Changes in the Same Job Description & Salary Footnotes

**Determining Starting Salaries**

Open positions are posted with a salary range for the job classification level. The decision about the specific starting salary is based on the candidate’s experience and qualifications, along with

consideration for internal equity. Starting salaries must be approved by the CEO or designee prior to extending an employment offer.

- **Supervision Differential**

At minimum, a newly hired supervisor will generally be paid at least 5% more than their direct reports, even when the employees are classified in the same job level. This differential may not necessarily be maintained over time, depending on the merit increases.

- **Temporary Employee Salaries**

The CEO or designee approves temporary employee's compensation and may approve an augmentation above a salary level. They are not eligible for merit increases or COLAs. Any adjustment to a temporary employee's salary is handled on a case by case basis at the supervisor's recommendation to Human Resources. The CEO or designee must approve any salary change for a temporary employee.

### **Cost of Living Adjustments (COLA)**

There is no guarantee that a COLA will be available each year. The Commission considers whether or not to approve COLAs in any particular year based on economic and budgetary factors.

Generally, COLAs are recommended and set annually. The Director of Operations and Technology and the CEO develop a proposed COLA based on local consumer price index (CPI) changes and submits the proposal to the Commission for consideration. No COLA is provided without the Commission's approval.

Any Commission approved COLA will be applied to all regular staff, in all salary levels, effective the first full pay period in January each year.

### **Merit Increases**

Employees are eligible to be considered for merit-based salary increases, typically on an annual basis as part of the performance review process. Merit increases, if any, may be awarded in recognition of excellent job performance. Typically, employees are not eligible for a merit increase at their initial six-month review.

Merit increases may be awarded up to 5% per year. The specific merit increase, if any, is largely based on the performance review results. The supervisor conducting the performance review may propose, an increase and documents it on the performance review. The CEO or designee reviews and considers all merit increase proposals.

If granted, the merit increase is effective on the employee's review date and processed in the first payroll following CEO or designee's approval, Supervisors are responsible for conducting timely performance reviews and submitting merit increase recommendations as appropriate.

Employees who have reached the top of the salary range for their job classification level are not eligible for further merit increases but remain eligible to receive COLAs.

The ability to provide merit increases may be restricted or suspended based on budgetary considerations and Commission decisions.

### **Job Classification Changes**

Job classification changes include promotions, reclassifications (to a higher or lower position) and demotions.

Promotions are based on an employee applying for an open position and being selected for that position.

A reclassification is atypical and requires a significant increase in job responsibilities. To be considered for reclassification to the next level, an employee must meet the qualifications for the position at the next level and be in the job for more than a year. Reclassification to the next level does not necessarily guarantee a salary increase.

After a promotion or reclassification to a higher level that results in a salary increase, the employee will receive a 6-month performance evaluation. Typically, no merit increase is available at this time. The employee receives a performance review one year from the promotion or reclassification effective date and annually thereafter.

For Example, classification changes involving a demotion to a lower job level may occur due to:

- Poor performance
- An employee's request
- Reclassification of a job based on an evaluation of the level of responsibility currently required for the position

When a demotion occurs, the employee's salary is reassessed relative to the salary range for the lower position. Generally, if the reclassification is due to poor performance or employee's request, and the employee's current salary is higher than the top of the range of the lower position, the salary is reduced to the new range. If the reclassification is due to other reasons, the employee's salary is generally "red-circled" and no salary increase (other than COLAs) is granted until such time as the salary range for the new position exceeds the employee's current salary. The CEO or designee, in conjunction with Human Resources, has the discretion for determining when an employee's salary is "red-circled."

All classification and salary changes are documented in writing and subject to approval by the CEO or designee.

### **Lateral Moves & Changes in the Same Job Description & Salary Footnotes**

Generally, employees making a lateral move are not eligible for a salary increase unless the new position has a significant increase in responsibility level and an increase is approved by the CEO or designee.

Periodically, a substantial change in duties in the same job description may warrant a salary change. In such event, the supervisor typically proposes in writing a change to Human Resources and any such changes are subject to approval by the CEO or designee.

A salary footnote, not to exceed 10% of current base salary, may be granted to staff performing additional and/or more complex responsibilities differentiating them from other employees within their classification. The footnote is not subject to the salary cap and will be removed when additional work is no longer performed or deemed unnecessary by agency. Supervisors may propose this increase to the Senior Administrator, Division Director and Human Resources. Any proposed changes must have CEO approval prior to offering or discussing with the employee.

Any proposed changes in this section must have CEO approval prior to offering or discussing with the employee.



## Other Salary-related Guidelines

### Job Descriptions

Changes in job descriptions are expected as duties and responsibilities change over time. F5AC's job descriptions are structured broadly to allow changes. Supervisors review job descriptions with employees annually and document the process on the performance review. Any proposed job description revisions must be approved by HR.

### Salary Range Revisions

F5AC management typically reviews all salary ranges approximately every three to four years to keep competitive with local market compensation levels. Any changes to salary range is proposed to the Commission for consideration.

Subject to Commission approval, employee salaries below the bottom of the revised range receive an increase to come within the low end of the range. Employees who were at the top of the salary range before the adjustment may be eligible for a merit increase at the time of their next performance review.

### Compensation Guidelines Changes

The Commission reserves the right to amend these guidelines at any time and for any reason. All approved changes made to the guidelines will be communicated in writing to all employees in a timely manner.

No oral statements or representations can in any way change or alter the written policies and procedures presented in these guidelines.