



## FIRST 5 ALAMEDA COUNTY COMMISSION MEETING AGENDA

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Thursday, June 24, 2010

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

9:00 AM – 11:30 AM

**Commissioners:** *Chair:* Pamela Simms-Mackey M.D., *Vice Chair:* Helen Mendel, CMD, Yolanda Baldovinos, Alex Briscoe, Keith Carson, Gilda Gonzales, Rosemary Obeid, Deborah Roderick Stark, Albert Wang, M.D.

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### 1. Public Comment

#### CONSENT

2. Approval of Minutes from May 27, 2010 – Action
3. Personnel Policy Update– Action
4. Investment Policy Update– Action
5. Financial Report– Information
6. Investment Report– Information

#### PROGRAM

7. Family Financial Fitness Presentation – Information
8. Child Development Corps Evaluation– Information
9. Health Care Reform Presentation- Action
10. 2010-11 Strategic Plan Review- Action
11. 2011-13 Strategic Plan Recommendations- Information
12. Bridge Loan to Child Care Centers- Action
13. State Commission & Association Updates – Information
14. Legislation and Public Policy Updates – Information

#### INFRASTRUCTURE

15. Long Range Financial Plan– Action
16. Fund Balance Commitment– Action

17. **Contract Authorizations– Action**

**MISCELLANEOUS**

18. **Staff Announcements**

19. **Communication from Commissioners**

20. **Adjournment**



## FIRST 5 ALAMEDA COUNTY COMMISSION MEETING MINUTES

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Thursday, May 27, 2010

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

9:00 AM – 11:30 AM

**Commissioners:** *Chair:* Pamela Simms-Mackey M.D., *Vice Chair:* Helen Mendel, CMD, Keith Carson, Gilda Gonzales, Rosemary Obeid, Deborah Roderick Stark, Albert Wang, M.D.

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Chair Simms-Mackey called the meeting to order at 9:05 AM.

### 1. Public Comment

Sue Greenwald from Children's Hospital and Research Center at Oakland stated that she has worked in the county for that last 15 years advocating for the needs of the most vulnerable children in the county. She stated that First 5 has invested a lot into reaching this population of children. She stated that she has concerns about the children that will suffer the most in this county without the safety net that First 5 now provides.

Lea Austin from Mills College stated that she would like to thank the Commission and Staff for their continued support of an investment in the Leadership program in Early Childhood at Mills College as they launch their 3<sup>rd</sup> cohort of students. She stated that she would like to encourage the Commission to continue investing in this program.

Neva Bandelow from the Alameda Child Care Planning Council stated that she is here to present to the Commission an analysis that the planning council has prepared that shows how the budget cuts that the Governor is proposing might affect Alameda County child care. She stated that the planning council would like for the Commission to consider these cuts to child care as they make decisions regarding cuts to First 5 programs.

### 2. Approval of Minutes from March 25, 2010 and April 30, 2010 - Action

Commission Action: The Commission approved the March 25, 2010 and April 30, 2010 minutes upon motion by Vice Chair Mendel, seconded by Commissioner Stark and unanimously carried (6 in favor, 0 opposed).

## PROGRAM

### 3. School Readiness Evaluation Update – Information

Director of Evaluation & Technology, Teddy Milder presented the School Readiness Evaluation update. She stated that Applied Survey Research conducted the evaluation.

Commissioner Carson arrived at the meeting at 9:19 am.

Commissioner Wang asked if the assessment was conducted within the school year and if there are other assessment tools that could be used to show greater differences since the highest score in this scale is a 4. Ms. Milder stated that this is a reliable tool, and that there are other tools which staff have looked at. She stated that some of the other tools are difficult to get results out of and are not realistic to use with kindergarteners. She stated that this tool gives staff a good sense of readiness.

Commissioner Obeid asked if the Pre-K program will be expanded. Ms. Milder responded that yes the program will be expanded into more districts which is being funded by The Longs Foundation.

Commissioner Gonzales asked if there is a need for changing operations to serve the monolingual participants. She stated that specifically in the African American community there is a tremendous amount of trauma, and much more need for mental and therapeutic services for these high-risk children. Ms. Burger stated that the two federal grants focus is on fusing social emotional assessment and treatment into every serving environment. Ms. Bremond stated that from the very beginning First 5 has tried to infuse social emotional concepts into systems and using it as a best practice. She stated that the systems have to be ready to accept these new models, and that it is a challenge to get systems to have a multidisciplinary perspective.

Commissioner Stark stated that last summer she spent a day with School Readiness staff and visited a summer Pre-K program. She stated that it was clear to her that the social emotional piece is embedded in the program and she would encourage the other commissioners to take the time to visit and observe the program.

#### **4. Retreat Update – Information**

Chief Executive Officer, Mark Friedman presented the Commissioner Retreat Update.

Mr. Friedman stated that on April 30<sup>th</sup> the commission had a retreat and at that time staff presented 3 options to look at how to modify the current strategic plan for the remaining two years of the plan. He stated that the conclusion of that retreat was follow up questions that the Commission had before moving forward. He stated that staff is hoping to address those questions today and get more input from Commissioners and then present at the June Commission meeting the plan for potential reductions that are necessary because of declining revenue.

Mr. Friedman stated that staff concluded that there are opportunities for the agency to support other neighborhood based initiatives without the Commission making such a dramatic shift at this time. He stated that involvement in these initiatives will prepare First 5 over the next few years if the Commission decides they want to move more strongly in that direction.

Commissioner Obeid stated that there is a need to analyze the funding that is already invested in the community and what we will lose if we invest into a neighborhood approach. She stated that there are certain funding strategies and a certain way of organizing investments for the community that will change drastically if we move in the direction of a neighborhood based approach. Ms. Burger responded that by 2013-14 there will be a 40% reduction and we will not be able to maintain the same level of investments. She stated that moving to a neighborhood approach will allow for programs to be retained on a smaller scale. She stated that staff would continue to work at a policy and advocacy level and support the community around sustaining programs and seeking different funding streams to continue the systems change.

Commissioner Carson asked staff to revisit the level of discussion with community partner around the decision to move toward a neighborhood based approach. Ms. Burger stated that staff has been very engaged with the California Endowment and Alameda County Public Health. Mr. Friedman stated that there has also been work with Prescott Joseph in West Oakland. Ms. Burger stated that First 5's added value to working with these other community partners is bringing a 0-5 focus.

Commissioner Gonzales stated that there are continuing challenges and issues with authenticity in the community. She stated that she is still not bought into the neighborhood based approach and she is not sure that the community will be prepared. She stated that she would recommend tabling the discussion. Mr. Friedman responded that at this point, First 5 will commit to and be prepared to help with whichever neighborhood based initiatives move forward in the community.

Ms. Burger stated that the intent is to present and have this discussion, and in the mean time there is time to get a better understanding of these neighborhood based initiatives and what some of the other county commissions are doing. She stated that in June staff will come to the commission with recommendations for the 20% reduction because those reductions will have to happen.

Chair Simms-Mackey stated that she thinks there is a need to have more discussions with community partners to find out what is going to be most feasible. She stated that one of the criteria of the options is to work in a community where there is already leadership in place which is a key piece. She stated that she would rather support a few programs that are doing really well and have a large impact, rather than supporting a lot of programs and have the impact be less significant.

Chair Simms-Mackey recommended that staff include in the June meeting discussion an overview of what community partners they've had discussion with and the lay of the land of the county and what was their input on the neighborhood based approach.

Commissioner Wang stated that he supports the neighborhood based approach. He stated that this Commission has all of the key players in the county and is in a much better position to move things along than other agencies can.

## 5. Campaign to Save Child Care – Action

Mr. Friedman stated that First 5 had been asked to support the Campaign to Save Child Care. He stated that the Governor's May revision to the 2010-2011 budget proposes a 2.3 billion dollar combined elimination of CalWorks and general support for California's neediest children and families. He stated that the request is for the Commission to take a position of support for the Campaign to Save Child Care.

Commission Action: The Commission approved the Campaign to Save Child Care upon motion by Vice Chair Mendel, seconded by Commissioner Stark and unanimously carried (7 in favor, 0 opposed).

## 6. Low Income Investment Fund Presentation – Information

Director of Early Care and Education Nancy Lee introduced Kim DiGiacamo from Low Income Investment Fund. Ms. DiGiacamo presented on the Child Care Facilities Fund.

## INFRASTRUCTURE

## 7. 2010-11 Budget Proposal – Final Reading – Action

Ms. Zapanta presented the 2010-11 Budget Proposal- Final Reading to the Commission.

Commission Action: The Commission approved the 2010-11 Budget Proposal – Final Reading upon motion by Vice Chair Mendel, seconded by Commissioner Wang and unanimously carried (7 in favor, 0 opposed).

- American Lung Association of California
- American Education Research Corporation
- Anh Tran
- Applied Survey Research
- Berkeley Unified School District
- California State University East Bay
- Castro Valley Unified School District
- Ceridian Benefits Services
- Chabot College
- Chandler Asset Management
- City of Pleasanton, Parks and Recreation Department

- City Slicker Farms
- Cutwater Asset Management
- East Bay Association for the Education of Young Children (EBAEYC)
- Emery Unified School District
- Fremont Unified School District
- Hayward Unified School District
- International Contact
- Interpreters Unlimited
- JPD Communications
- Kelly Winner
- Kevin Harper
- Kidango
- Las Positas College
- Livermore Valley Unified School District
- Low Income Investment Fund
- Melinda Martin
- Merritt College
- Oakland Unified School District
- Ohlone College
- Pacific Interpreters
- Pillsbury Winthrop Shaw Pittman, LLP
- Regents of the University of California
- Remcho, Johansen, & Parcell, LLP
- Robbins Consulting
- San Francisco Community College
- San Lorenzo Unified School District
- San San Mynt

- Shu Fang Hung
- Teresa Matias

Commission Action: The Commission approved the above contracts upon motion by Vice Chair Mendel, seconded by Commissioner Wang and unanimously carried (7 in favor, 0 opposed).

- Alameda County Health Care Services Agency
- Alameda County Public Health Department
- Asian Health Services

Commission Action: The Commission approved the above contracts upon motion by Commissioner Gonzales, seconded by Vice Chair Mendel and unanimously carried with Commissioner Carson abstaining from the vote (6 in favor, 0 opposed, 1 abstained).

- Asian Community Mental Health Services

Commission Action: The Commission approved the above contract upon motion by Commissioner Obeid, seconded by Commissioner Stark and unanimously carried with Commissioner Wang abstaining from the vote (6 in favor, 0 opposed, 1 abstained).

- 4C's of Alameda County
- Child Care Links
- Mills College

Commission Action: The Commission approved the above contract upon motion by Commissioner Stark, seconded by Commissioner Gonzales and unanimously carried with Commissioner Obeid abstaining from the vote (6 in favor, 0 opposed, 1 abstained).

- BANANAS, Inc.

Commission Action: The Commission approved the above contract upon motion by Commissioner Gonzales, seconded by Commissioner Carson and unanimously carried with Chair Simms Mackey and Commissioner Obeid abstaining from the vote (5 in favor, 0 opposed, 2 abstained).

- Children's Hospital & Research Center at Oakland
- Family Resource Network

- Gena Lewis
- Interactive Parenting Media (Childhood Matters)
- Lucile Packard Children's Hospital - Medical Home Project
- Social Interest Solutions (SIS) formerly The Center to Promote HealthCare Access, Inc.

Commission Action: The Commission approved the above contract upon motion by Commissioner Stark, seconded by Commissioner Gonzales and unanimously carried with Chair Simms-Mackey abstaining from the vote (6 in favor, 0 opposed, 1 abstained).

## 8. Contract Authorizations – Action

Ms. Zapanta presented the Contract Authorizations to the Commission.

Commission Stark pointed out a discrepancy in the San Lorenzo Unified School District contract authorization. The authorization should have been for a \$27,000 amendment but mistakenly said \$7,000 in the header. The correct contract amount is \$127,000 an increase of the total contract amount from \$100,000 to \$127,000.00.

Commission Action: The Commission approved the following contract upon motion by Vice Chair Mendel, seconded by Commissioner Wang and unanimously carried (7 in favor, 0 opposed).

- Patel & Associates
- San Lorenzo Unified School District
- JDC Partnerships

Commission Action: The Commission approved the above contract upon motion by Commissioner Stark, seconded by Commissioner Gonzales and unanimously carried with Chair Simms Mackey abstaining from the vote (6 in favor, 0 opposed, 1 abstained).

- Alameda County Health Care Services Agency
- Lifelong Medical Care

Commission Action: The Commission approved the following contracts upon motion by Vice Chair Mendel, seconded by Commissioner Wang and unanimously carried with Commissioner Carson abstaining from the vote (6 in favor, 0 opposed, 1 abstained).

## 9. 2010-11 Strategic Plan Review – Action

Mr. Friedman stated that staff is not proposing any changes to the Strategic plan at this time.

Commission Action: The Commission approved the 2010-11 Strategic Plan Review upon motion by Vice Chair Mendel, seconded by Commissioner Wang and unanimously carried (7 in favor, 0 opposed).

**10. Approval of First 5 California Annual Report– Action**

Teddy Milder presented the First 5 California Annual Report. She stated that the approval of this report is required. She stated that the report does not focus on individual counties and that Alameda County was mentioned in the report very little.

Commission Action: The Commission approved the First 5 California Annual Report upon motion by Commissioner Wang, seconded by Commissioner Stark and unanimously carried (7 in favor, 0 opposed).

**11. ACERA 401(h) Account Authorization – Action**

Ms. Zapanta presented the ACERA 401(h) Account Authorization to the Commission. She stated that there is currently only one retiree from First 5.

Commission Action: The Commission approved the ACERA 401(h) Account Authorization upon motion by Commissioner Carson, seconded by Commissioner Gonzales and unanimously carried (7 in favor, 0 opposed).

**12. 2009-10 Financial Report (March 31, 2010) – Information**

Ms. Zapanta presented the 2009-10 Financial Report (March 31, 2010).

Ms. Zapanta stated that expenses are on target, and that Prop. 10 revenue are still in arrears by 2 months. She stated that next week beginning June 4<sup>th</sup> the Auditors will be onsite to conduct Financial and Single Audit.

**13. 2009-10 Investment Report (March 31, 2010) – Information**

Ms. Zapanta presented the 2009-10 Investment Report (March 31, 2010).

Ms. Zapanta stated that the highlight is that the stock market continues to be volatile because of the European economy and that staff continues to work with investment managers to maintain a strategic investment plan.

Commissioner Carson asked if First 5 experienced any losses from the market crash. Ms. Zapanta responded that losses were insignificant. She stated that any losses that may have incurred have recovered, however gains are much less then they use to be.

**14. Legislation and Public Policy Updates – Information**

Mr. Friedman stated that Assembly Member Alberto Terrico has a bill that will be heard in the coming few weeks, that will transfer 10% of local county commission's funds to the state commission to expand the Power of Preschool program. He stated that it would have to go to the voters to transfer local control to the state commission. He stated that we are in the process of educating his staff and will go directly to Assembly Member Terrico after the primaries.

## MISCELLANEOUS

### 15. **Staff Announcements**

Ms. Burger announced that included in the packets are samples of the handouts that were done around Early Childhood Mental Health Awareness Day that were widely distributed in different languages.

Mr. Friedman announced that at the next commission meeting there will be presentations on Family Financial Fitness, and on Health Care Reform.

### 16. **Communication from Commissioners**

There was no communication from Commissioners.

### 17. **Adjournment**

Chair Simms-Mackey adjourned the meeting at 11:12 AM.



**To:** First 5 Alameda County Commission  
**From:** Patricia Zapanta, Director, Finance and Administration  
**Date:** June 24, 2010  
**Subject:** Personnel Policies Revisions

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#### REQUESTED ACTION

To review and approve the following Personnel Policies revisions.

#### BACKGROUND

First 5 Alameda County adopted Personnel Policies in May 2004 in preparation for separation from Alameda County. Since then revisions have been made in May 2005, September 2005, June 2006, May 2007, May 2008, and June 2009. All significant policy revisions are listed on the change log at the end of the document. Revisions are necessary periodically due to changes in practice or law, and proposed revisions have been reviewed by outside counsel. We engage the employment law firm of Wiley Price & Radulovich when consultation is needed on issues of employment, including revision of personnel policies.

#### PROPOSED REVISIONS TO PERSONNEL POLICIES

1. Year-end Manual Clean Up and Reformatting – This represents changes that clarify policy but do not change policy, or that were made for editing purposes.
2. Modification of Sick Time policy (page 13) and deletion of Tools and Technology benefit were included, as approved by the Commission on 12/10/2009.
3. Equal Employment Opportunity (page 4) and Harassment (page 27): Additional categories were added to the language in these sections.
4. Vacations, page 11: Language, similar to that added in December for Sick Time, was added to the Vacations policy.
5. Sick Time, page 13: The cap on sick time accrual was eliminated, consistent with Alameda County Administrative Code.

6. Personal Leave of Absence, page 18: This section was added to offer unpaid Personal Leaves of Absence as an option and to provide guidance on the procedures for approval and administration of personal leaves.
7. Technology, Voice Mail and Electronic Mail, page 26: Minor modifications were made to the policy to reflect changes in technology, and a notation was added referring to a Technology Use Agreement that will be developed, which will be in alignment with Alameda County policy.
8. Reduction in Workforce, page 30: “Time-limited” language was eliminated, and substituted with “temporary”, due to the administrative difficulties associated with classifying time-limited positions as grant funding has been secured.

**FISCAL IMPACT**

There is minimal fiscal impact.

**RECOMMENDATION**

To review and approve the following Personnel Policies revisions.

Submitted by:

Reviewed by:

\_\_\_\_\_  
Patricia Zapanta,  
Director, Finance and Administration

\_\_\_\_\_  
Mark Friedman,  
Chief Executive Officer



**PERSONNEL POLICIES MANUAL**

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**TABLE OF CONTENTS**

<b>Welcome</b>	<b>4</b>
<b>Part One: Introductory Information</b>	
Handbook Use and Purpose	4
Equal Employment Opportunity	4
Reasonable Accommodation of Protected Disabilities	5
Complaint Procedures for Complaints of Denial of Reasonable	5
<b>Part Two: Employment and Hiring Policies</b>	
Work Eligibility	5
Introductory Period	5
Employee Classifications	6
Changes in Employee Classifications	6
Job Postings	6
Hiring of Relatives	6
Employment of Board Members	7
<b>Part Three: Employee Development</b>	
Performance Evaluations	7
Professional Development	7
<b>Part Four: Health, Wellness and Employee Assistance</b>	
Medical Insurance	8
Dental Insurance	8
Definition for Eligibility	8
Payment In Lieu	8
Insurance Continuation	9
First 5 Flexible Benefit	9
Alameda County Employees Retirement Association (ACERA)	9
Employee Assistance Program (EAP)	9
Life Insurance	9
Flexible Spending Account	10
<del>Tools and Technology</del>	<del>10</del>
Workers' Compensation	10
State Disability Insurance (SDI)	10
Paid Family Leave (PFL)	10
Long Term Disability Insurance	11
Deferred Compensation	11
Executive Benefit Package	11
<b>Part Five: Paid Time Off</b>	
Vacations	11
Holidays	12
Paid Time Off (PTO)	12
Sick Time	13

Leave of Jury or in Answer to Subpoena	13
Bereavement Leave	14
<b>Part Six: Unpaid Time Off and Leaves of Absence</b>	
Requests for Leave	15 <del>4</del>
Integration of Benefits	15
Medical Certification	15
Concurrent Running of Leaves	15
No Leave to Accept Outside Employment	15
Unpaid Leave Matrix:	15 <del>6</del> – 17
▪ Medical / Family Illness / Child Care Leave	
▪ Maternity and Pregnancy Disability Leave	
▪ Paternity and Adoptive Leave	
▪ Workers' Compensation Leave	
▪ Leave when lent to other governmental Agency or institution	
▪ Educational Leave	
▪ Military Leave	
<b>Personal Leave of Absence</b>	18
Catastrophic Sick Leave Bank	18
<b>Part Seven: Work Hours and Pay</b>	
Pay Periods	20 <del>19</del>
Meal and Rest Periods	20 <del>19</del>
Timekeeping Requirements	20 <del>19</del>
Overtime Pay	20 <del>19</del>
Bilingual Pay	20
Wage Garnishments	21 <del>0</del>
Payroll Deductions	21 <del>0</del>
<b>Part Eight: Workplace Health and Safety</b>	
Drug-Free Workplace	21 <del>0</del>
Smoking	22 <del>1</del>
<b>Part Nine: Work Practices and Environment</b>	
Punctuality and Attendance	22 <del>1</del>
Use of Facilities and Property	22 <del>1</del>
Guests and Visitors	22 <del>1</del>
Security	22
Breastfeeding-Friendly Workplace	23 <del>2</del>
Children in the Workplace	23 <del>2</del>
Telecommuting	24 <del>3</del>
Use of Personal Automobile	24 <del>3</del>
Attire and Personal Hygiene	24 <del>3</del>
Expense Reimbursement	24
Parking	25 <del>4</del>
References	25 <del>4</del>
<b>Part Ten: Information and Communication</b>	
Technology, Voice Mail and Electronic Mail	26 <del>5</del>
Employee Information	26 <del>5</del>
Internal Communication	26
<b>Part Eleven: Standards of Conduct</b>	
Harassment	27 <del>6</del>
Workplace Conduct	27 <del>6</del>
Open-Door Policy	28 <del>7</del>
Disciplinary Procedures	28 <del>7</del>

Appeal of Serious Discipline	298
Conflict of Interest	298
<b>Part Twelve: Ending Employment</b>	
At-Will Status	298
Voluntary Termination of Employment	3029
Payroll and the Return of First 5 Property	3029
Reduction in Workforce	3029
Exit Interviews	321
<b>Acknowledgement of Receipt</b>	332
<b>Change Log</b>	343

## WELCOME

Welcome to Every Child Counts – First 5 Alameda County. Through the efforts of our staff members, First5 Alameda County has established itself as a leading organization in our community. To ensure our continued success, all staff employees need to understand our policies and procedures.

If you have any questions, please do not hesitate to ask either your supervisor or a member of the Finance / Administration team.

Sincerely,



Mark Friedman, Chief Executive Officer

## PART ONE: INTRODUCTORY INFORMATION

### HANDBOOK USE AND PURPOSE

This employee handbook is designed to help employees familiarize themselves with important information about First 5 Alameda County (hereafter also referred to as the Agency), as well as information regarding their own privileges and responsibilities.

It is not possible to anticipate every situation that may arise in the workplace or to provide information that answers every possible question. Also, future circumstances may require changes in the policies, practices, and benefits described in this handbook. Accordingly, except for the At-Will Employment Policy, the Agency reserves the right to modify, rescind, supplement, or revise any provision in this handbook. While the Agency will make reasonable efforts to provide employees with advance notice of any modifications or revisions to the handbook and will distribute updated pages as revisions are made, advance notice of policy changes may not always be possible. Even in this event, changes to policies will apply to Agency employees.

This handbook is not intended to be a contract. The policies and procedures in this handbook are intended to replace all previous personnel policies, practices, and guidelines with the exception of the Agency's at-will employment policy.

Any questions regarding the contents of this handbook may be addressed to your supervisor or to the Finance and Administration Director.

### EQUAL EMPLOYMENT OPPORTUNITY

It is the policy of First 5 Alameda County to afford equal opportunity in all aspects of employment to all persons without discrimination on the basis of race, religion, sex (including gender identity), national origin, ethnicity, age, physical or mental disabilities, color, marital status, sexual orientation, genetic information, or medical condition, or any other basis protected by law. This policy shall apply to all employees and applicants for employment, and extends to all phases of employment, including recruitment, hiring, training, promotion, discharge or layoff, rehiring, compensation, and benefits.

## REASONABLE ACCOMMODATION OF PROTECTED DISABILITIES

First 5 Alameda County will comply with the employment-related reasonable accommodation requirements of the California Fair Employment and Housing Act and the Americans with Disabilities Act (and any subsequent revisions or amendments thereto), including the interactive process to identify possible reasonable accommodations of protected disabilities.

An employee or applicant who alleges a denial of a reasonable accommodation may file a complaint pursuant to the Agency's Complaint Procedure for Complaints of Denial of Reasonable Accommodation, below.

## COMPLAINT PROCEDURE FOR COMPLAINTS OF DENIAL OF REASONABLE ACCOMMODATION

Complaints of denial of reasonable accommodation shall be directed to the Finance and Administration Director. Applicants and employees are encouraged to bring such complaints to the Agency's attention promptly, so that it can address them promptly.

The Chief Executive Officer shall make a determination regarding whether a reasonable accommodation shall be provided. The Chief Executive Officer may require the applicant/employee and an Agency representative to meet to discuss potential reasonable accommodations and to try and agree to a specific reasonable accommodation. The Chief Executive Officer shall have the authority to determine which reasonable accommodation, if any, shall be provided.

## PART TWO: EMPLOYMENT AND HIRING POLICIES

### WORK ELIGIBILITY

To comply with federal law, First 5 Alameda County employs only United States citizens and non-citizens who are lawfully authorized to work in the United States. All employment is conditioned upon receipt, by the Finance and Administration Director, of documentation establishing identity and authorization to work in the United States.

Employees who will be working alone with children will be required to be fingerprinted prior to employment. Employees who will work directly with families will be required to pass a TB test prior to employment, and periodically during the course of employment.

### INTRODUCTORY PERIOD

Employees are considered introductory during the first one hundred eighty (180) days following their date of hire. During this period, performance will be carefully evaluated and a determination made regarding the employee's job performance. The fact that an employee has completed the introductory period does not guarantee continued employment. During the introductory period, employees are not eligible to take vacation time, although vacation time does accrue.

Notwithstanding the introductory period, because your employment is at-will, it may be terminated by you or the Agency, during or after your introductory period, for any reason or no reason, with or without notice.

## EMPLOYEE CLASSIFICATIONS

Staff members are placed into classifications based on job description, and applicable wage/hour laws.

- Exempt Employee: An executive, administrative, or professional employee who is exempt from the overtime requirements of the Fair Labor Standards Act (“FLSA” )
- Nonexempt Employee: An employee (generally paid by the hour) who is eligible for overtime pay under the FLSA
- Regular Full-Time Employee: An employee who is regularly scheduled to work forty (40) hours or more per workweek
- Regular Part-Time Employee: An employee who is regularly scheduled to work between twenty (20) and thirty-nine (39) hours per workweek
- Temporary Employee: An employee who is hired on a full-or part-time basis for a specified period of time, usually not to exceed twelve (12) months
- On-Call Employee: An employee who is not regularly scheduled to work a specified number of hours in any given workweek, but who is scheduled to work on an as-needed basis

## CHANGES IN EMPLOYEE CLASSIFICATIONS

All employees are classified as exempt or non-exempt, introductory or regular, and as regular, temporary, part-time, or full-time. These classifications determine eligibility for benefits, compensatory time, and overtime.

Changes in employee classification may occur when a job change (for example, a promotion or a change in work hours, etc.)—projected to be ongoing or last for more than four (4) months—takes place.

## JOB POSTINGS

First 5 Alameda County attempts to find the most qualified candidates to fill position vacancies. This is accomplished through a combination of internal and external recruiting. Consideration will be given to the advancement of current employees, and employees are encouraged to apply for promotions or transfers for which they feel they are qualified.

Open positions may be posted internally on bulletin boards and/or the First 5 Alameda County website. Internal postings may occur simultaneously with external postings. The decision to fill positions from within or to hire from outside is made solely by First 5 Alameda County.

Only the Finance and Administration Director, the Human Resources Administrator, and the Chief Executive Officer have the authority to extend job offers. All offers of employment will be in writing.

## HIRING OF RELATIVES

First 5 Alameda County is aware that relatives of employees or Commissioners may occasionally seek employment with First 5 Alameda County.

In the interest of avoiding conflicts of interest, or appearances of conflicts, First 5 Alameda County sets forth the following guidelines with respect to nepotism:

1. Current employees may not interview relatives who seek employment with the Agency.
2. Current employees may not supervise relatives under any circumstances.

The definition of “relative” is:

- Spouse/domestic partner
- Spouse’s or domestic partner’s child (natural child, legally adopted child, or a child for whom the employee, spouse, or domestic partner has been awarded court-appointed legal guardianship)
- Parent(s) or spouse/domestic partner’s parent(s)
- Brother(s) and sister(s) and spouse(s) thereof
- Any individual related by blood or affinity whose close association with the employee is the equivalent of a family relationship

It is expected that relatives shall conduct themselves professionally in their interactions with each other and with other employees working at First 5 Alameda County.

#### **EMPLOYMENT OF BOARD MEMBERS**

To preserve the objectivity and integrity of the Agency’s Commission, any Commission member who wishes to apply for employment with the Agency must first resign from the Commission.

### **PART THREE: EMPLOYEE DEVELOPMENT**

#### **PERFORMANCE EVALUATIONS**

Each employee's performance will be reviewed on an annual basis, to coincide with the anniversary of the employee’s start date with First 5 Alameda County. Performance review guidelines are provided for supervisors and employees to follow during the process.

Performance appraisals, signed by both employee and supervisor, will be placed in the employee's personnel file. Employees may keep a copy of their appraisal and have the opportunity to comment on it in writing.

#### **PROFESSIONAL DEVELOPMENT**

First 5 Alameda County encourages the professional growth and development of employees through a variety of means, including in-house training, membership affiliations with professional organizations, and attendance at educational conferences, meetings or seminars. To support this, all employees, together with their supervisor, develop professional development goals annually as part of the performance review process.

First 5 Alameda County will consider employee requests to pay for membership dues and license renewals in job-related professional organizations when those fees become due after the start of employment with the Agency. Employees make this request through their supervisor, and written supervisor approval is required prior to payment or reimbursement.

Employees who wish to attend a job-related conference, meeting or seminar must also make this request through their supervisor, and obtain advance written approval, prior to payment or reimbursement for the cost of the training. Detailed information about procedures for submitting professional development requests can be found in the Agency's ~~Program, Administrative and Financial Management~~ Procedures Manual.

## PART FOUR: HEALTH, WELLNESS, AND EMPLOYEE ASSISTANCE

### MEDICAL INSURANCE

Medical insurance is offered as part of the benefits package to regular, full-time employees and regular, part-time employees who regularly work 20 hours or more per week. First 5 Alameda County pays the cost of premiums for the employee, spouse / domestic partner and/or eligible dependents, up to an amount to be determined annually. If an employee chooses a medical plan that costs more than the employer contribution, the balance of the cost is borne by the employee, and is paid for on a pre-tax basis through payroll. First 5 Alameda County's share of costs of benefits for part-time employees will be pro-rated to the percentage of time regularly scheduled to worked.

First 5 Alameda County reserves the right to change medical insurance plans and benefits under those plans, to change the Employer share of premium payments for the plans, or change the amount it pays employees who opt out of the medical plan, with or without notice, consistent with any legal obligations it may have. In general, the Employer share of medical premiums is determined prior to each Open Enrollment period.

### DENTAL INSURANCE

Dental insurance is offered as part of the benefits package to regular, full-time employees and regular, part-time employees who regularly work 20 hours per week or more. First 5 Alameda County pays the cost of premiums for the employee, spouse / domestic partner and eligible dependents up to an amount to be determined annually. If an employee chooses a dental plan that costs more than the employer contribution, the balance of the cost is borne by the employee, and is paid for on a pre-tax basis through payroll. First 5 Alameda County's share of costs of benefits for part time employees will be pro-rated to the percentage of ~~time~~ time regularly scheduled to worked.

First 5 Alameda County reserves the right to change dental insurance plans and benefits under those plans, to change the Employer share of premium payments for the plans, or change the amount it pays employees who opt out of the dental plan, with or without notice, consistent with any legal obligations it may have. In general, the Employer share of dental premiums is determined prior to each Open Enrollment period.

### DEFINITION FOR ELIGIBILITY

For the purposes of benefits coverage, "eligible dependents" is defined as spouse or domestic partner and eligible dependent children.

**PAYMENT IN LIEU**

Employees may opt not to enroll in health and/or dental insurance provided through First 5 Alameda County, provided they have proof of insurance through another source. Employees who wish to opt out must complete and sign a waiver form. First 5 Alameda County will pay employees who opt not to enroll in any form of Agency-provided medical or dental insurance \$100.00 each pay period. This payment is subject to state and federal taxes.

**INSURANCE CONTINUATION**

Upon termination, employees covered under a health insurance plan have certain legal rights to remain on the insurance plan at their own expense for up to eighteen (18) months (more in some exceptional cases) through benefits under COBRA. More information regarding COBRA coverage, costs, and administrative procedures is available from the Human Resources department at the time employment ends or when an employee has a question about other qualifying events.

**FIRST 5 FLEXIBLE BENEFIT**

All regular, full-time employees receive a First 5 Flexible Benefit of \$1,500 per year. The benefit may be applied to the following pre-tax options:

1. The Employee's share of the medical/dental premium,
2. The purchase of supplemental Life Insurance (for the employee), or
3. The funding of a Health Flexible Spending Account

Part-time, regular employees' Flexible Benefit is pro-rated based on the percentage of time regularly scheduled to work.

**ALAMEDA COUNTY EMPLOYEES RETIREMENT ASSOCIATION (ACERA)**

All regular, full-time employees are required to become members of ACERA. ACERA is a defined benefit retirement plan and information about ACERA is provided by Human Resources. Employees are required to make a pre-tax contribution to ACERA through payroll deduction. Contribution rates are set annually by ACERA. Part-time employees are not eligible to become members of ACERA. Full-time employees who convert to part-time may retain membership if they so indicate to ACERA.

All exempt employees will receive a 3% salary augmentation (called Ret Payback on the payroll stub) related to ACERA. This benefit was part of the original Alameda County benefit package.

**EMPLOYEE ASSISTANCE PROGRAM (EAP)**

All regular employees are provided with access to an Employee Assistance Program, which offers a variety of benefits at low- or no-cost. Information is available from Human Resources.

**LIFE INSURANCE**

Regular employees who work 20 or more hours per week are eligible for a basic \$25,000 life and accidental death and dismemberment insurance benefit paid for by the Agency. Employees may also elect supplemental coverage at their own expense, with premium payments being made on a pre-tax basis through payroll under the Agency's Cafeteria

(Section 125) Plan. Additionally, employees may elect supplemental life insurance for their spouse/partner and/or dependent children; these premiums are paid on an after-tax basis. Supplemental life insurance may only be purchased at the time of hire or open enrollment.

### FLEXIBLE SPENDING ACCOUNT

All regular employees may enroll in the Agency's flexible spending account ("FSA") program, which allows employees to set aside pre-tax dollars to be used for eligible medical expenses or dependent care expenses. For a comprehensive list of reimbursable medical expenses, please review the FSA materials provided by Human Resources.

### A Word of Caution

No refunds of money left in an individual's flexible spending account are given at the end of the plan year. This means that employees participating in the plan need to estimate expenses carefully.

### ~~TOOLS AND TECHNOLOGY~~

~~All regular employees are eligible for a Tools and Technology benefit. Employees may use the benefit to pay for job-related expenses including trainings and conferences, subscriptions to professional publications, technology equipment (i.e. computer equipment for your home), membership dues in professional organizations and fees for job licenses, certification and/or registration. Eligible expenses must be paid for up-front by eligible employees. Employees can be reimbursed for those eligible expenses twice a year, not to exceed a total amount of \$800 per year. The reimbursement is made through payroll and is taxable. Specific instructions for reimbursement will be distributed twice yearly by Finance.~~

~~To be eligible for the Tools and Technology benefit for a given year, regular full-time or part-time employees must have begun work for First 5 on or before December 31 of the previous year. The benefit for part-time employees will be pro-rated.~~

### WORKERS' COMPENSATION

First 5 Alameda County carries workers' compensation insurance as required by law to protect employees who are injured on the job. This insurance provides medical, surgical, and hospital treatment in addition to compensation for loss of pay resulting from work-related injuries or illness. The cost of this coverage is paid by the Agency.

You must immediately report any on-the-job injury to your supervisor, regardless of how minor the injury may seem. Questions concerning our workers' compensation coverage should be directed to Human Resources.

First 5 Alameda County does not provide workers' compensation coverage for injuries sustained during or as a result of an employee's voluntary participation in off-duty social, recreational, or athletic activities that are not part of an employee's work-related duties. If an employee is required or expected to participate in a recreational, social, or athletic activity as part of his or her job, however, workers' compensation coverage may apply.

### STATE DISABILITY INSURANCE (SDI)

Employees of First 5 Alameda County who are unable to work due to illness, injury, or pregnancy may receive state-funded income protection insurance for the time they are unable to work. SDI is an employee paid benefit. The determination of benefits is up to the state. An employee may apply for disability benefits after being disabled for eight (8) days, or if hospitalized, after one (1) day of disability. The first seven days of an employee's disability are considered a "waiting period", and no SDI benefits are paid for that period. Forms can be obtained from the local office of the Employment Development Department or the EDD website: <http://www.edd.ca.gov/disability>, or from the employee's physician.

If a physician deems an employee to be temporarily disabled, the employee may not return to work without first submitting a medical release to Human Resources.

### PAID FAMILY LEAVE (PFL)

First 5 Alameda County employees are also covered under the Paid Family Leave (PFL) insurance program. PFL is an employee-paid benefit that provides partial wage replacement when an employee is taking time off work to care for parents, children, spouses/partners, or to bond with a new minor child. Up to six (6) weeks of benefits may be paid in a twelve (12) month period. The determination of benefits is up to the state. Employees must serve a seven (7) day waiting period before benefits begin. Claim forms are available from the local office of the Employment Development Department, [from the EDD website at: http://www.edd.ca.gov/Disability/PFL\\_How\\_to\\_File\\_a\\_Claim.htm](http://www.edd.ca.gov/Disability/PFL_How_to_File_a_Claim.htm), or by calling 1-877-238-4373.

### LONG TERM DISABILITY INSURANCE

All regular full-time and part-time employees who are regularly scheduled to work 20 or more hours per week may apply to purchase long term disability insurance from a designated broker. Payment for such insurance is made by an after-tax deduction from the employee's gross salary.

### DEFERRED COMPENSATION

[Regular, full-time and regular, part-time employees](#) may participate in the Alameda County Deferred Compensation Plan. Contributions to the plan are made pre-tax, through payroll, and may be placed in various investment vehicles. Employees may enroll or change their deferred compensation election at any time during the year.

### EXECUTIVE BENEFIT PACKAGE

The Commission may provide an Executive Benefit Package to the Chief Executive Officer. The components of the package are at the discretion of the Commission. Any Executive Benefit Package must be detailed in writing, signed by the Chair of the Commission and the Chief Executive Officer, and placed in the Chief Executive Officer's personnel file.

### PART FIVE: PAID TIME OFF

**VACATIONS**

Regular and introductory full-time employees earn paid vacation time on the following schedule, beginning with the first day of employment:

- 1–3 years: 10 days each calendar year (80 hours)
- 4–10 years: 15 days each calendar year (120 hours)
- 11–20 years: 20 days each calendar year (160 hours)
- 21+ years: 25 days each calendar year (200 hours)

Accrued vacation time cannot be taken until six months after your first day of employment.

Employees may accrue vacation time up to two (2) times their annual accrual, set forth above. Once an employee reaches this cap on accrual, he/she will cease accruing vacation until vacation time is taken that reduces the employee’s balance to below the cap. Any unused vacation time may be rolled over into the following year.

Regular and introductory part-time employees who are regularly scheduled to work twenty (20) or more hours per week earn paid vacation time on a pro-rated basis based on the number of hours worked per week. No other classification of employees earns paid vacation time.

All vacation time must be requested, preferably in writing, and approved in advance.

Employees may request to receive a vacation pay-out for some of their accrued unused vacation in lieu of taking paid time off work. Employees who request a vacation pay-out are required to have one year’s accrual remaining after the pay-out.

Upon termination of employment, employees will be paid for any accrued, unused vacation.

As a public agency, and pursuant to principles of public accountability, First 5 Alameda County may give time off without pay to an employee, whether exempt or non-exempt, who needs time off for personal reasons and who has exhausted his/her accrued vacation and PTO leave. In this circumstance, First 5 Alameda County will proportionately reduce the pay of the employee for that time off, up to a maximum of three (3) days. If an employee needs additional time away from work, the time off, if authorized, will be considered to be a Personal Leave of Absence. Please refer to the Personal Leave of Absence policy for more information.

**HOLIDAYS**

First 5 Alameda County observes the following holidays:

- |                            |                           |
|----------------------------|---------------------------|
| New Year's Day             | Labor Day                 |
| Martin Luther King Jr. Day | Veteran’s Day             |
| Lincoln’s Birthday         | Thanksgiving Day          |
| Washington’s Birthday      | Friday after Thanksgiving |
| Memorial Day               | Christmas Day             |
| Independence Day           |                           |

All regular full-time employees are paid for each holiday. Employees on vacation at the time a holiday occurs will not have that day counted as vacation pay. Part time employees who are regularly scheduled to work on a holiday will be paid for that holiday up to the number of hours regularly scheduled to work.

### **PAID TIME OFF (PTO)**

All regular and introductory employees receive 56 hours (7 days) of paid time off (PTO) each year in addition to vacation and sick leave and the Agency's regular holidays. PTO allows employees to have additional paid leave to cover absences for personal reasons such as religious observances or to supplement vacation, sick and holiday leave. Eligible employees will receive 56 hours of PTO on January 1 of a given year. Employees may carry over unused PTO to subsequent years. However, in the succeeding year, employees will receive only the number of PTO hours that will bring their total to 56 hours.

Regular and introductory part-time employees who are regularly scheduled to work twenty (20) hours or more per week will be granted PTO hours pro-rated based on the percentage of time worked, and on the schedule described above. Temporary and part-time employees regularly scheduled to work less than twenty (20) hours per week do not receive PTO.

Upon termination of employment, employees will be paid for any unused PTO.

### **SICK TIME**

Sick time provides regular and introductory full- and part-time employees with paid time off to recover from illness or injury, or to care for seriously ill family members. For purposes of this section "immediate family" means mother, stepmother, father, stepfather, husband, wife, domestic partner (upon submission of an affidavit), son, stepson, daughter, stepdaughter, grandparent, grandchild, brother, sister, foster parent, foster child, mother-in-law, and father-in-law, or any other person sharing the relationship of in loco parentis; and, when living in the household of the employee, a brother-in-law or sister-in-law.

Sick time may also be used for health care appointments that cannot be scheduled outside work hours.

### **Accrual and Payment**

Eligible regular and introductory full-time employees may accrue sick time at the rate of .5 days (4 hours) per pay period of service for a total of thirteen (13) days per year. Regular and introductory part-time employees accrue sick time on a pro-rated basis, based on the number of hours they are regularly scheduled to work.

Accrued, unused sick time may be carried over from one year to the next ~~but accrual caps at 130, 8-hour work days.~~, and there is no limitation on the amount of sick time an employee may accrue.

No payment is made for accrued, unused sick time upon separation or at any other time.

### **Sick Time Use**

Employees are responsible for directly notifying their supervisor prior to the start of the business day (or no later than one hour following their regularly scheduled start time) when

prevented from starting or continuing a workday due to illness or injury. Employees must also keep their supervisor informed about the expected duration of the time away from work.

In most circumstances, a doctor's statement is required when an employee uses more than five (5) consecutive days of sick time or when an accumulation of absences seems to establish (in the supervisor's judgment) a problematic use of sick time. However, First 5 Alameda County may request verification of the reasons for any use of sick time.

Employees may use sick time to care for ill family members, but the same verification requirements apply in these instances.

As a public agency, and pursuant to principles of public accountability, First 5 Alameda County may give time off without pay to an employee, whether exempt or non-exempt, who needs time off due to personal or family illness or injury as allowed above and who has exhausted his/her accrued leave (sick, PTO, and vacation). In this circumstance, First 5 Alameda County will proportionately reduce the pay of the employee for that time off.

#### **LEAVE OF JURY DUTY OR IN ANSWER TO SUBPOENA**

Paid leave shall be granted to permit an employee to travel between the workplace and the court and while serving on jury duty or in answer to a subpoena as a witness. Proof of attendance from the court will be required in order to receive jury duty pay. Any jury or witness fee awarded, less reimbursement fee for mileage, shall be deposited in First 5 Alameda County's bank account.

When an employee is excused from jury duty or from answering a subpoena as a witness in time to report for at least one-half of his/her regularly scheduled shift, the employee shall report for duty and jury duty pay under this section shall be reduced accordingly. If the employee fails to report as described above, he/she shall be docked for the balance of the day.

Employees shall apply for standby jury duty if the court permits this option. An employee whose work assignment precludes participation in the standby jury duty shall be exempted from this requirement provided that a department head or his/her designee may adjust an employee's work assignment to permit the employee to apply for standby duty.

#### **BEREAVEMENT LEAVE**

Leave of absence with pay because of death in the immediate family of a regular full- or part-time employee working for First 5 Alameda County may be granted by the division director or his/her designee for a period up to five days per calendar year. For purposes of this section "immediate family" means mother, stepmother, father, stepfather, husband, wife, registered domestic partner, son, stepson, daughter, stepdaughter, grandparent, grandchild, brother, sister, foster parent, foster child, mother-in-law, and father-in-law, or any other person sharing the relationship of in loco parentis; and, when living in the household of the employee, a brother-in-law or sister-in-law.

Entitlement to leave of absence under this section shall be only for those hours the employee would have been scheduled to work, and shall be in addition to any other entitlement for sick leave, emergency leave, or any other leave.

## PART SIX: UNPAID TIME OFF AND LEAVES OF ABSENCE

First 5 [Alameda County](#) provides leaves of absence to eligible employees in a variety of circumstances. In all cases, First 5 [Alameda County](#) intends to comply with applicable federal and state laws. Additional information concerning legal requirements applicable to leaves of absence will be posted in the workroom. Employees who are considering a leave of absence are encouraged to meet with the Finance and Administration Director or Human Resources Administrator as early as possible to discuss the details of the leave and to coordinate the integration of benefits and payroll.

Employees may request a leave of absence without pay for other government or County employment, as defined below, extended educational purposes, [personal or family illness, qualifying exigency arising from a call to active duty](#), or justifiable personal or other reasons. You must submit a written request to your supervisor as far in advance of the leave as possible. An authorized leave of absence without pay does not affect previously accumulated sick leave, vacation time or seniority, [except as described under Use of Accrued Paid Leave in the following Unpaid Leave Matrix](#); however, no benefits shall accrue during the leave. Human Resources will explain how to continue health plan coverage. A leave of absence without pay must be approved by the division director or his/her designee in consultation with Human Resources upon the request of the employee seeking such leave, but the unpaid leave [generally shall not be for longer than exceed](#) 6 months, except where the policies below limit the leave to a shorter period or extend it to a longer period.

### REQUESTS FOR LEAVE

As soon as an employee learns of the need for a leave of absence, the employee should submit a written request for leave to his/her division director. Request forms are available from Human Resources. If the need for the leave is foreseeable, employees are required to provide at least 30 days' notice. Approval of the leave may be delayed if timely notice is not provided. If the employee learns of the need for leave less than 30 days before the leave is needed, the request must be made as soon as possible.

### INTEGRATION OF BENEFITS

If an employee on leave is receiving State Disability Insurance ("SDI") or Paid Family Leave ("PFL") benefits, and has not exhausted his/her accrued paid benefits with First 5, First 5 will integrate the SDI/PFL benefit with the employee's accrued paid benefit so that total compensation for the pay period does not exceed the employee's regular wages for that pay period.

### MEDICAL CERTIFICATION

If the reason for leave is the employee's own injury, illness, or temporary disability, medical certification that the employee is released to return to work is required before the employee will be permitted to return.

**CONCURRENT RUNNING OF LEAVES**

If an employee is on a leave that qualifies as a pregnancy disability leave and/or a family medical leave, as described below, the leave time will run concurrently with leave time for which the employee is eligible under the Pregnancy Disability Leave law and/or the Family Medical Leave Act (“FMLA”) and/or the California Family Rights Act (“CFRA”).

**NO LEAVE TO ACCEPT OUTSIDE EMPLOYMENT**

A leave of absence without pay may not be granted to a person accepting either private or public employment outside the service of First 5 Alameda County, except as outlined below.

**UNPAID LEAVE MATRIX**

The following two pages (pages 15 & 16) contain an Unpaid Leave Matrix which includes information on eligibility, maximum leave time, notification requirements, guidelines on use of accrued paid leave (as it pertains to the type of unpaid leave), benefits continuation with regard to the type of leave, coordination with other leaves, reinstatement and benefits and seniority at reinstatement for various types of unpaid leaves. The types of unpaid leaves included in the matrix are:

- Medical / Family Illness / Child Care Leave
- Maternity and Pregnancy Disability Leave
- Paternity and Adoptive Leave
- Workers’ Compensation Leave
- Leave when Lent to Other Governmental Agency or Governmental Institution
- Educational Leave
- Military Leave

	Medical/Family Illness/Child Care Leave*	Maternity and Pregnancy Disability Leave	Paternity and Adoptive Leave	Workers' Compensation Leave
<b>Eligibility</b>	<ul style="list-style-type: none"> <li>At least one year continuous service at First 5 <a href="#">Alameda County</a> and worked at least 1,250 hours in preceding 12 months</li> <li>Presence of the one of the reasons for leave described in the policies</li> </ul>	Any pregnant employee, employee with pregnancy or childbirth related medical conditions, or time for baby bonding by the mother following the birth of a child	Any employee who is a prospective father (before birth of child and/or for baby bonding after birth) or an adoptive parent	Any employee with an illness or injury related to work at First 5 <a href="#">Alameda County</a>
<b>Maximum Leave Time</b>	12 work weeks within a rolling 12-month period, except the maximum duration of leave to care for an injured service member is 26 weeks in a rolling 12-month period	Up to six months, except leave for pregnancy disability cannot exceed four months	Up to six months	Until employee is released to work, is determined to be permanently unable to return to usual duties, or informs First 5 <a href="#">Alameda County</a> of intent not to return to work
<b>Notification Requirements</b>	30 days' notice required if need for leave is foreseeable, otherwise as soon as possible. Medical certification required if leave due to serious health condition of employee or family member.	30 days' notice required if need for leave is foreseeable, otherwise as soon as possible	30 days' notice required if need for leave is foreseeable, otherwise as soon as possible	Not applicable. Notification is based on determination of employee's work-related illness or injury incurred as a result of employment at First 5 <a href="#">Alameda County</a> with medical verification of the need for a leave.
<b>Use of Accrued Paid Leave</b>	Must use accrued sick, PTO and vacation time before unpaid leave starts. Must use accrued sick leave first (i.e. before PTO or vacation time).	Must use accrued sick leave before unpaid leave starts. May elect (optional) to also use accrued vacation time.	May elect (optional) to use accrued vacation time. Not eligible to use accrued sick time except due to illness to employee during leave.	Must use accrued sick leave and vacation time. Benefits will be coordinated with workers' compensation benefits so total payments do not exceed employee's regular wages.
<b>Benefits Continuation During Leave</b>	Retain employer-paid health insurance up to a maximum of 12 weeks within a 12-month period. All other benefits, and health insurance beyond 12 weeks, can be continued at the employee's expense (no First 5 <a href="#">Alameda County</a> contributions).			
<b>Coordination With Other Leaves</b>	<p>May be linked with Maternity and Pregnancy Disability Leave</p> <p>May run concurrently with Paternity and Adoptive Leave or Worker's Compensation Leave</p>	First 12 weeks of pregnancy disability leave count against amount of leave available under FMLA for those eligible. Leave taken under this policy for baby bonding counts against leave available under CFRA.	Leave taken under this policy will run concurrently with FMLA/CFRA for employees eligible for baby bonding leave under FMLA/CFRA	Leave for work-related illness or injury is counted as leave in accordance with federal and state family/medical leave laws (FMLA/CFRA)
<b>Reinstatement</b>	Will be returned to the same or comparable position unless position has been eliminated or employee would have been terminated anyway. Medical certification of release to return to work required if leave is due to employee's health condition.			
<b>Benefits &amp; Seniority at Reinstatement</b>	Seniority and benefits accrue while paid leave is used but not during periods of unpaid leave. Seniority is reinstated at the same level as when unpaid leave started.			

\* Encompasses leave under the federal Family Medical Leave Act (FMLA) and state California Family Rights Act (CFRA).

	Lent to Other Government or Educational Institution	Educational Leave	Military Leave
<b>Eligibility</b>	By approval of division director and/or his designee	By approval of division director and/or his designee	Any employee who is a member of or joins the military and is called for active service; eligibility determined in accordance with provisions of state and federal law
<b>Maximum Leave Time</b>	One year	One year	Up to 30 days leave <u>with</u> pay if continuously employed by First 5 <u>Alameda County</u> for one year prior to the leave. Up to five years without pay in all cases. Only days spent in active military service count against the five year limit.
<b>Notification Requirements</b>	30 days' notice required if need for leave is foreseeable, otherwise as soon as possible	30 days' notice required if need for leave is foreseeable, otherwise as soon as possible	30 days' notice required if need for leave is foreseeable, otherwise as soon as possible. Copy of military orders must be provided.
<b>Use of Accrued Paid Leave</b>	Not applicable	Must use accrued vacation time before unpaid leave starts	Must use accrued vacation time before unpaid leave starts
<b>Benefits Continuation During Leave</b>	Retain employer-paid health insurance up to a maximum of 12 weeks within a 12-month period. All other benefits, and health insurance beyond 12 weeks, can be continued at the employee's expense (no First 5 <u>Alameda County</u> contributions).		Same. Employees can continue health insurance at their own expense for up to 18 months after employer-paid health insurance ends, in accordance with federal law.
<b>Coordination With Other Leaves</b>	None	None	None
<b>Reinstatement</b>	Will be returned to the same or comparable position unless position has been eliminated or employee would have been terminated anyway		Will be reinstated to the position the employee reasonably would have had if military leave had not been taken, except reemployment is not assured if military service discharge was less than honorable or reemployment is impossible (e.g. position was legally eliminated), unreasonable or would be an undue hardship for First 5 <u>Alameda County</u>
<b>Benefits &amp; Seniority at Reinstatement</b>	Seniority and benefits accrue while paid leave is used but not during periods of unpaid leave. Seniority is reinstated at the same level as when unpaid leave started.		Benefits and seniority are reinstated at the level they would have been if military leave had not been taken. Employees have up to five years to make up contributions to the retirement plan that were missed during the period of leave.

## PERSONAL LEAVE OF ABSENCE

In addition to the previously described leaves, and in an effort to recognize the need of employees who request time off in addition to vacation or PTO, First 5 Alameda County may consider a personal leave of absence without pay. Personal leaves are limited to a maximum of two months in any two year period (measured in a rolling 24-month period). Personal leaves may not be added to any of the previously described leaves.

All regular employees of First 5 Alameda County who have completed their introductory period may request an unpaid personal leave of absence. Job performance, attendance patterns, and division/program requirements will all be taken into consideration before a request is approved. Requests for unpaid personal leave may be denied or granted by First 5 within the sole discretion of the Agency.

Personal leaves of absence must be requested in writing, and 30 days advance notice is required if the need for leave is foreseeable. All requests must be reviewed and recommended by the supervisor and Division Director, and approved by the CEO or Deputy Director.

While on an unpaid personal leave:

- Insurance benefits may be continued at the employee's expense. Generally, the Agency will pay the cost of insurance premiums as they become due, and will work out a reimbursement payment schedule with the employee upon his/her return to work. First 5 may recover premiums paid to maintain coverage during leave from an employee if that employee fails to return to work following a personal leave of absence. Contact Human Resources for additional information.
- Benefits (including sick leave, vacation, and PTO accrual) and seniority do not accrue.

An employee is required to return from the personal leave on the originally scheduled return date. If the employee is unable to return, he/she must request an extension of the leave in writing within five (5) calendar days before expiration of the leave. If the leave is not extended, the employee must return to work on the originally scheduled return date or be considered to have voluntarily resigned from his/her employment. Extensions of leave are considered only on a case-by-case basis.

First 5 Alameda County will make every effort to return the employee to the same or comparable position unless the position has been eliminated during the leave or the employee would have been terminated for reasons unrelated to the leave.

## CATASTROPHIC SICK LEAVE BANK

An employee may be eligible to receive donations of paid leave to be included in the employee's sick leave balance if he/she has suffered a catastrophic illness or injury, or must care for an immediate family member (as defined in the Personnel Policies) who has suffered a catastrophic illness or injury, which prevents the employee from being able to work or from being able to work his/her regularly scheduled number of hours. Catastrophic illness or injury is defined as a critical medical conditions considered to be terminal, or a long-term major physical impairment or disability.

The Catastrophic Leave Program is a confidential program. The donor of benefits will be made aware of the value of their donation to the bank. The recipient of benefits will be made aware of the value of their benefits from the bank. Individual donations, and the recipient of benefits, will be considered confidential.

Any First 5 Alameda County employee who is eligible for sick leave is eligible to participate in the Catastrophic Leave Bank.

The recipient employee, family member of the recipient employee, or another person designated in writing by the recipient employee must submit a request to First 5 Alameda County Human Resources Department, 1100 San Leandro Blvd., Suite 120, San Leandro, CA 94577. The Finance and Administration Director, in consultation with the Chief Executive Officer and Deputy Director, will administer the Catastrophic Leave Bank.

A confidential medical verification including diagnosis, prognosis, and estimated date of return to work must be provided by the recipient employee. If the employee has left work to care for a critically ill family member, the same documentation is required for the family member. No retroactive requests will be permitted.

The determination of the employee's eligibility for catastrophic sick leave donations shall be at First 5 Alameda County's sole discretion and shall be final.

The recipient employee is not eligible to receive and use donations so long as she/he has paid leaves available, however, the request may be initiated prior to the anticipated date leave balances will be exhausted. Exhaustion of paid leaves is not sufficient justification for requesting a donation from the catastrophic leave bank.

A recipient employee is eligible to receive up to 40 working days of donated time per employment. Donations will be made to recipients on a first-come, first-served basis. Donations from the bank may be received only if there are funds available in the bank.

Periodically, calls may be made to employees to donate to the bank, particularly at year-end.

The donor employee may donate vacation time. The donor's hourly value will be converted into dollars and deposited into the bank. Recipient sick leave will be withdrawn from the bank and converted into hours.

Donations shall be made in half day increments and are irrevocable. The maximum that may be donated in a calendar year is ten donor employee days per year, except that a husband and wife or registered domestic partners, both employed by First 5 Alameda County, may donate unlimited amounts of time between one another.

Only vacation leave time may be donated. The donor employee may donate up to ten donor employee days per year, provided that the donation does not allow their vacation leave balance to fall below 40 hours.

When using donated leave, regulations governing the use of disability payments will be in effect if the employee is receiving disability. Sick leave hours will be offset based on the amount of disability payment.

## PART SEVEN: WORK HOURS AND PAY

### PAY PERIODS

For all employees, the standard pay period is biweekly. Paychecks are distributed every other Friday.

Although the regular workweek is from 8:30 a.m. to 5:00 p.m. Monday through Friday, other work schedules may be made between the employee and his or her supervisor, if memorialized in writing, and subject to the demands and limitations of the job and department. Supervisors have final approval for flextime requests and retain the authority to require the employee to return to a regular schedule should organizational need require it.

### MEAL AND REST PERIODS

All non-exempt employees receive a paid ten (10) minute rest period for each four (4) hours worked or major fraction thereof. Full-time employees should take one rest period in the first half of their day and one in the second half.

Non-exempt employees who work five (5) hours or more receive an unpaid lunch break of thirty (30) minutes. Rest periods cannot be combined with the lunch break, but employees may take up to a one (1) hour lunch break if desired. Employees may not skip rest and meal breaks to shorten the workday.

### TIMEKEEPING REQUIREMENTS

All ~~Non-exempt~~ employees must accurately complete and submit time sheets ~~that are to be~~ approved by their supervisor or manager for each pay period. Non-exempt employees record actual hours worked and leave taken. ~~E, and~~ exempt employees should complete a time sheet for each pay period showing record their regular work schedule and leave taken. Any falsification of a time sheet will result in disciplinary action, up to and including discharge.

### OVERTIME PAY

First 5 Alameda County provides non-exempt employees compensatory time off as a substitute for overtime pay, for all hours worked in excess of 40 in the workweek, at the rate of time and one-half hours for each hour of overtime worked, up to a maximum of 240 compensatory time off hours. All overtime must be approved in advance by the supervisor and the Chief Executive Officer. When the employee takes off the compensatory time earned shall be determined between the employee and his or her supervisor; however, employees are encouraged to take compensatory time off as soon as possible after it is earned. The Agency will not unreasonably deny such requests.

Vacation, PTO, holiday, and sick time do not constitute hours worked for the purposes of computing overtime.

**BILINGUAL PAY**

If an employee uses a second language at least 20% of the time on the job, the employee’s supervisor may request that she/he be given bilingual pay. The process involves the employee being given a language proficiency exam administered through the Alameda County Health Care Services Agency. If the employee passes the test, a taxable salary augmentation will occur each pay period in an amount consistent with the bilingual pay rate of Alameda County.

Supervisors should contact Human Resources to schedule testing for eligible employees. Supervisors must also confirm that the employee is continuing to use the second language at least 20% of the time and reauthorize bilingual pay on an annual basis.

**WAGE GARNISHMENTS**

From time to time, First 5 Alameda County may be required to withhold monies from an employee's pay. If this Agency receives a court-authorized garnishment or levy, the employee affected will be notified immediately.

**PAYROLL DEDUCTIONS**

Your payroll and earnings deductions are detailed with your paycheck. Mandated and voluntary deductions usually include the following:

Deductions Mandated by Federal and State Law	Voluntary Deductions
Federal income tax	Health and Dental insurance
State income tax	Health Flexible Spending Account
Social Security, Medicare contributions	Dependent Care Flexible Spending Account
State disability insurance	Supplemental Life Insurance
Garnishments, wage attachments	Deferred Compensation
Employee contribution to ACERA	Long Term Disability Insurance

Any questions about your paycheck should be directed to the Human Resources Administrator or Payroll Manager.

**PART EIGHT: WORKPLACE HEALTH AND SAFETY**

**DRUG-FREE WORKPLACE**

As part of First 5 Alameda County’s ongoing commitment to a safe and healthy workplace, we maintain a drug-free workplace policy. Any employee who reports to work while under the influence of drugs or alcohol runs the risks of endangering his or her safety and the safety of others, destruction of or damage to personal or Agency property, and a loss of productivity and workplace morale.

All employees of First 5 Alameda County are required to understand and comply with the Agency’s drug-free workplace policy. Any failure to comply with the guidelines of this policy can result in immediate termination of employment. Employees either in our offices or

conducting business on behalf of our Agency regardless of location are prohibited from all of the following:

- Unauthorized use, possession, purchase, sale, manufacture, distribution, transportation, or dispensation of any controlled substance
- Reporting to work while under the influence of alcohol or a controlled substance. Controlled substances include, but are not limited to, narcotics (such as heroin and morphine), cannabis (marijuana, hashish), stimulants (such as cocaine and amphetamines), depressants (tranquilizers) except by doctor's prescription, and hallucinogens (such as PCP, LSD, and "designer drugs")
- Use, possession, purchase, sale, manufacture, distribution, transportation, or dispensation of any legal prescription drug in an illegal or unauthorized manner
- Reporting to work while impaired by the use of a legal drug whenever such impairment might substantially interfere with job performance or pose a threat to the employee's safety or the safety of others, or risk significant damage to Agency property

## SMOKING

Smoking is prohibited in all First 5 Alameda County offices.

## PART NINE: WORK PRACTICES AND ENVIRONMENT

### PUNCTUALITY AND ATTENDANCE

Employees who are unable to report for work for any reason must notify their immediate supervisor within one (1) hour of their regularly scheduled starting time.

In general, all employees are expected to be responsible and demonstrate respect for fellow employees by establishing a record of punctuality and regular attendance. These are factors considered in evaluating overall job performance.

Frequent lateness or excessive absenteeism may, depending on the circumstances, result in disciplinary action up to and including termination.

### USE OF FACILITIES AND PROPERTY

Employees are asked to treat Agency property as they would their own. Specifically, employees are to keep their own work area and common areas clean and well maintained and limit their use of Agency equipment to work-related purposes. Employees are required to receive written supervisory approval before removing any Agency property from the premises.

### GUESTS AND VISITORS

Employees are asked to keep on-the-job, non-work-related visitors to a minimum to ensure that the workplace is not unduly interrupted. All visitors are provided with a visitor badge to wear while in the First 5 office and should remain in the reception area until escorted by the appropriate employee.

## SECURITY

First 5 Alameda County strives to provide a secure work environment for our employees, volunteers, clients, and visitors. Creekside management provides for the security of our buildings and facilities by maintaining alarms and outside security services. You are required to comply with all security procedures established in your work area and immediately report any breach of security to your manager.

We encourage employees to be prudent about bringing personal items to work. First 5 Alameda County is not responsible for losses resulting from theft of property while you are away from your work area.

Immediately report lost or stolen keys or missing Agency property to your supervisor. Copying or giving keys or lock combinations to an unauthorized individual will be considered grounds for immediate dismissal.

## BREASTFEEDING-FRIENDLY WORKPLACE

First 5 Alameda County recognizes that breastmilk is the optimal food for growth and development of infants, and ~~F5AC~~ First 5 Alameda County encourages employees and management to have a positive, accepting attitude toward working women and breastfeeding. ~~F5AC~~ First 5 Alameda County promotes and supports breastfeeding and the expression of breastmilk by employees who are breastfeeding when they return to work.

It shall be the policy of First 5 Alameda County to provide:

- Information about breastfeeding support after returning to work to employees prior to their maternity leave.
- Time to express milk or breastfeed upon return to work. Supervisors are encouraged to consider flexible schedules to accommodate employees' needs.
- A designated Lactation Room within the ~~F5AC~~ First 5 Alameda County office, which shall be furnished with an electrical outlet, refrigerator for storage of expressed breastmilk, comfortable seating, a table, and blinds for privacy. A scheduling board is also provided so that lactating employees may reserve the room at selected times.

## CHILDREN IN THE WORKPLACE

First 5 Alameda County values family and work/life balance, and strives to create an employee-friendly workplace. Our employment policies and benefits reflect our beliefs. First 5 Alameda County also believes in creating an environment that is conducive to work. In general, therefore, the workplace should not be used in lieu of child care.

While First 5 Alameda County is sensitive to our employee's child-related circumstances, it is not appropriate for minor children and other minor relatives of employees to be in the workplace during working hours, except for brief visits. This policy has been adopted to minimize potential liability to First 5 Alameda County, the risk of harm to children, and decreased employee productivity due to distractions and disruptions.

We recognize that there are occasions when childcare is not available and work demands are such that the employee needs to be available for work. In those situations, the employee may request to work from home on a temporary basis, or, if the work must be done in the office, may bring in their child(ren) for a short period of time. In those cases where children are in the workplace, they must be directly supervised by the parent at all times. In the interest of maintaining the health and well-being of all First 5 Agency employees, children that are ill should not be brought to the workplace except for brief visits to enable the parent to gather work materials or take care of urgent matters that cannot be handled from outside the office. Employees may consult First 5 Alameda County's Employee Assistance Program for assistance with finding emergency care providers to care for sick children.

Situations like these should occur infrequently and not be a regular way of managing the employee's work responsibilities. If the frequency, length or nature of children in the workplace becomes problematic, the employee will be advised of the situation by his/her supervisor and will be expected to take corrective action.

### **TELECOMMUTING**

Telecommuting is a work arrangement in which some of the employee's work is performed at home. Telecommuting is a privilege that may be appropriate for some employees and some jobs. It is not an entitlement or Agency-wide benefit. A telecommuting assignment in no way changes any other terms or conditions of employment with First 5 Alameda County. Requests for a regular telecommuting arrangement are considered on a case-by-case basis when an employee's work can reasonably be carried out from home. In general, telecommuting requests are considered only for exempt employees that have been employed at First 5 Alameda County for a period of at least one year, have received satisfactory performance reviews, and have demonstrated their ability to manage their work independently.

Requests for telecommuting arrangements must be made in writing, and will be considered by the Director. If the telecommuting arrangement is approved, the employee will be required to sign a Telecommuter Policy and Agreement, and to complete a self-certification safety checklist of their home work location. Telecommuting arrangements are reviewed by the employee and supervisor at least annually, and can be terminated at any time by either party.

### **USE OF PERSONAL AUTOMOBILE**

Employees who use their own automobiles for travel on authorized Agency business will be reimbursed for mileage at the rate established by the Internal Revenue Service. Employees must have prior supervisory approval for the use of personal vehicles and provide to the Agency, in advance of using their personal vehicle, a copy of their driver license and evidence that they obtained at their own expense the minimum insurance coverage for property damage and public liability.

### **ATTIRE AND PERSONAL HYGIENE**

It is expected that employees will maintain a clean and neat appearance and will project a professional and businesslike image in dealing with other employees, clients, volunteers, and the general public. All employees should wear casual business attire on Mondays through Thursdays. Casual business attire may include denim skirts or dark jeans as long as they are professional in appearance and the employee does not have meetings or other work scheduled where customary business attire would be more appropriate. First 5 Alameda

County observes “casual Fridays” on which other styles of jeans may be worn, as long as they are appropriate for the workplace. Under special circumstances (storage clean-up, moving furniture, working with children, etc.) casual attire may be worn on non-Fridays upon supervisor approval. Supervisors are responsible for interpreting and monitoring dress and grooming standards, including counseling employees whose appearance is inappropriate.

### EXPENSE REIMBURSEMENT

Reasonable and customary personal expenses incurred in the performance of one's job will be reimbursed. Reimbursement requires prior authorization by the employee's immediate supervisor, written approval of actual expenses, and completion of a signed personal expense reimbursement form with all required documentation attached. Employees should consult the Finance department or the ~~Accounting and Administrative~~ [First 5 Alameda County](#) Procedures Manual for specific instructions.

### PARKING

Employees will be issued an access card to the parking structure on their first day of hire. Employees are ~~encouraged~~ to park in the gated area at all times. Visitor spaces are limited and vehicles parked in those spaces for more than one hour may be towed at the car owner's expense.

For security reasons, please report lost or stolen access cards to Administration immediately. There is a \$20 fee to replace lost or stolen cards.

### REFERENCES

It is the policy of First 5 Alameda County to provide references about current or former employees to prospective employers. Just as the Agency obtains job-related reference information prior to extending an offer of employment to prospective employees, we believe that providing reference information represents good faith in being part of a community. References may be provided only by Human Resources or the employee's supervisor (or supervisors higher in the line of supervision). All supervisors are provided with training on appropriate reference practices and guidelines.

It is also the policy of the Agency not to disclose any information about employees (other than hire and termination dates, job titles and earnings), unless and until Human Resources has received an originally signed Reference Authorization and Release form signed by the employee for whom the reference is requested. This form may be obtained from Human Resources and is provided to all employees at the time that employment is terminated.

Only job-related information may be provided to persons requesting information on current or former employees, and employees providing references must ensure that the information provided is accurate and truthful. Examples of information that may be shared include, but are not limited to information, either positive or negative, regarding performance, team/interpersonal behaviors, attendance, productivity, work quality, etc. When providing references, supervisors and human resources staff are strongly encouraged to access the employee's performance reviews to ensure accurate information is provided. Under no circumstances should information be provided regarding the employee's race, religion, national origin, health, childrearing, sexual orientation, veteran status, workers' compensation history, complaints about alleged discrimination, political views, or other private affairs.

Before a reference will be provided, prospective employers must complete a waiver form releasing First 5 Alameda County from claims, damages or liabilities that may arise from provision of the reference. This form may be obtained from Human Resources, and may be mailed, faxed or emailed to the prospective employer. It is also the policy of the Agency that whenever an employment reference is given, the person giving the reference must complete a Record of Employee Reference Form so the Agency will have documentation of the information that was provided. This form is to be submitted, along with the waiver form, to Human Resources within one day of any reference being provided.

Except as provided by this policy, all employee information is considered confidential.

## **PART TEN: INFORMATION AND COMMUNICATION**

### **TECHNOLOGY, VOICE MAIL AND ELECTRONIC MAIL**

First 5 Alameda County employees are permitted to use voice mail, ~~and~~ electronic mail, networking sites and the internet to communicate with others for business purposes. The e-mail system is to be used for Agency or work-related email only, and not for personal purposes. In no event should First 5 Alameda County's voice or email systems be used to send jokes or other comments or information to others that may be perceived as discriminatory, harassing, offensive, or disruptive. The voice and/or e-mail systems may not be used to send material that disparages an individual, company, or business entity, or to disclose personal information without authorization. Employees should be aware that voice mail and electronic mail messages, and documents and files saved on Agency computers are not private and are subject to review by the Agency at any time for business and/or legal purposes.

Employees may not install, copy, stream, or download software onto Agency computers unless authorized to do so by the Director, Evaluation and Technology or the Network Support Administrator. Employees are also prohibited from downloading any personal files onto work computers, as this may result in reduced capacity, slower computer speed for all employees, and maintenance and support issues. In addition, it places the employee's computer and the entire First 5 Alameda County network at risk for viruses and other problems.

All employees are provided training on and required to sign the Agency's Technology Use Agreement at the time of hire and periodically during the course of employment.

### **EMPLOYEE INFORMATION**

It is important that personnel files contain up-to-date information regarding each employee. Employees should inform Human Resources immediately whenever there are changes in their personal data, such as address, telephone number, marital status, domestic partnership, number of dependents, and person to notify in case of emergency, that may affect their pay or benefits with the Agency.

Employees have the right to inspect their personnel file during regular office hours, given reasonable notice to the Agency. An appointment to inspect the file may be made with the Finance and Administration Director, who will accompany the employee while he or she

inspects the file. Employees may obtain copies of any document in their personnel file to the extent required by law. Personnel records are the property of First 5 Alameda County and are not allowed to leave the office of the ~~Finance and Administration Director~~ Human Resources Administrator without authorization.

### INTERNAL COMMUNICATION

We use bulletin boards, mailboxes, meetings, the Agency's intranet, and office e-mail to communicate important information to employees on a regular basis. Each of our employees is responsible for reading posted or distributed information on a timely basis.

## PART ELEVEN: STANDARDS OF CONDUCT

### HARASSMENT

First 5 Alameda County does not tolerate harassment in the workplace or in a work-related situation based on an individual's race, color, religion, gender, national origin, ancestry, age, marital status, physical disability, mental disability, medical condition, sexual orientation, gender identity, genetic information, or any basis protected by law, or based on a perception that an individual has any of these characteristics, or based on a perception that an individual is associated with a person who has, or is perceived to have, any of these characteristics. Such harassment may include, but is not limited to, slurs; epithets; derogatory jokes; degrading comments; gestures or physical conduct; or threats that an employee's job, advancement, compensation, assignment, or other benefit is dependent on submission to sexual demands or on toleration of harassment. It includes conduct of all Agency employees as well as conduct of persons with whom First 5 Alameda County contracts to do business, such as independent contractors, when the conduct is directed at, or involves, an Agency employee or contractor.

Anyone who believes he or she has been harassed in connection with his or her employment at First 5 Alameda County, or is aware of such harassment, should notify the Chief Executive Officer, or any Director, or the Human Resources Administrator immediately. A prompt and, to the extent possible, discreet investigation will be conducted, and appropriate corrective action will be taken for any conduct deemed to violate this policy or otherwise to be inappropriate. There will be no retaliation against anyone for complaining of, reporting, or participating in any investigation of harassment.

Anyone who is found by the Agency to have violated this policy, or whose conduct is found otherwise to be inappropriate, will be subject to appropriate corrective action, including possible termination of employment.

### WORKPLACE CONDUCT

First 5 Alameda County requires of its employees cooperation, efficiency, productivity, and compliance with its policies and procedures. Failure to comply with these expectations may result in disciplinary action, including immediate termination. Examples of conduct that may result in disciplinary action include, but are not limited to, any of the following:

- Substandard job performance

- Absence from work without prior notification to supervisor
- Excessive tardiness or unauthorized absenteeism
- Rudeness or discourtesy toward a fellow employee, supervisor, volunteer, supporter, or member of the general public
- Violating the drug- and alcohol-free workplace policy
- Theft—including, but not limited to, the removal of Agency property or the property of another employee from Agency premises without prior authorization
- Walking off the job without supervisory approval
- Fighting, roughhousing, abusive language, or conduct that is hostile or disrespectful toward a co-worker, supervisor, board member, volunteer, or any person associated with or served by this Agency
- Disregarding established safety procedures; knowingly creating an unsafe work situation for self or any coworker
- Falsifying or altering records or time sheets
- Refusing to perform a work-related duty when directly instructed to do so by a supervisor or member of management
- Possessing a weapon or firearm on this Agency's property
- Violating the Agency's equal opportunity or harassment policies
- Violating the Agency's conflict of interest policy
- Unauthorized use of Agency property, including vehicles

### OPEN-DOOR POLICY

First 5 Alameda County has an open-door policy that encourages employee participation in decisions that will affect them and their daily professional responsibilities. Employees that have a difference of opinion, misunderstanding or conflict with another First 5 employee are encouraged to address the situation directly with the employee(s) involved. This policy also encourages employees who have job-related problems or complaints to talk them over with their supervisor or a manager at any level of management who they feel can help them. First 5 Alameda County believes that employee concerns are best addressed through informal and open communication.

The Agency will attempt to be discreet in addressing and resolving concerns brought to its attention. However, in the course of investigating and resolving concerns, some dissemination of information to others may be necessary.

No employee will be retaliated against for raising a concern in good faith.

### DISCIPLINARY PROCEDURES

While the Agency may advance to whatever disciplinary step it concludes is appropriate in the circumstances, including immediate termination, the following disciplinary steps may be invoked:

- Employee Counseling or Verbal Warning – The supervisor counsels the employee following a minor offense in an effort to eliminate possible misunderstandings and to

identify what constitutes acceptable conduct or performance. Verbal warnings are documented by the supervisor and placed in the employee's personnel file. They are signed by the employee to acknowledge receipt of the warning.

- Written Warning – The employee meets with his or her supervisor and is presented with a written notice of corrective action. A written warning is designed to make sure that the employee is **fully** aware of the misconduct or performance problem, including the degree of seriousness and the consequences if the problem is not corrected.  
Copies of written warnings are to be signed by the employee to acknowledge receipt of the warning and will be placed in the employee's personnel file
- Suspension – Employees who are suspected of serious misconduct may be suspended with pay in situations where an investigation is required prior to a disciplinary decision being made
- Discharge – Termination can result from a single serious offense, or it can be the final step in a process designed to correct a series of offenses or performance deficiencies. It can also occur as the result of conduct inconsistent with Agency policy

Supervisors are to consult with the Finance and Administration Director or Human Resources Administrator prior to the issuance of any warning or discharge and at each step of the progressive discipline process.

The use of any of the above disciplinary procedures in no way alters the fact that employment at First 5 Alameda County is at-will.

#### **APPEAL OF SERIOUS DISCIPLINE**

If the Agency imposes discipline consisting of discharge, demotion, an unpaid suspension of more than five days, or a reduction in pay of more than five days, the Agency will, at the time it notifies the employee of the discipline imposed, give the employee notice of his/her rights, if any, to appeal the Agency's determination.

#### **CONFLICT OF INTEREST**

It is important that employees avoid conflicts of interest to maintain high standards of conduct. A conflict of interest is a situation in which an employee's personal or economic interest interferes with, influences, or is, in the judgment of the Agency, incompatible with the employee's duties and responsibilities at First 5 Alameda County or with the Agency's general activities, even if the conflict or incompatibility has no adverse impact on job performance.

All regular employees are required to sign an Incompatible Activities Statement at the time of hire and periodically during employment as part of the Agency's Ethics Training program. In accordance with California's Political Reform Act, designated employees are also required to complete a Statement of Economic Interests (Form 700) within 30 days of hire, on an annual basis, and within 30 days of terminating employment with First 5 Alameda County. Employees must advise their supervisor and the Finance and Administration Director of any outside employment that they have. Any employee needing advice about a potential conflict of interest should consult with the Ethics Officer, Finance and Administration Director or the Chief Executive Officer. If an employee's outside activity is determined to constitute a conflict of interest or incompatible activity and the employee intends the activity to continue (i.e.,

beyond a defined, temporary duration), the Agency may make the cessation of the outside activity a condition of continuing employment with First 5 Alameda County.

## PART TWELVE: ENDING EMPLOYMENT

### AT-WILL STATUS

Employment with First 5 Alameda County is not for any specified period and can be terminated by either the employee or the Agency at any time with or without any particular reason or advance notice. Nothing contained in these policies is intended to, or should be construed to, alter the at-will relationship between First 5 Alameda County and its employees. Although other terms and conditions and benefits of employment with First 5 Alameda County may change from time to time, the at-will relationship of employment is one aspect that cannot be changed except by an agreement in writing with the First ~~Five~~ 5 Alameda County Commission, signed by the chair of the board on behalf of the entire board, and by the employee.

### VOLUNTARY TERMINATION OF EMPLOYMENT

All employees are asked to give a minimum of two (2) weeks written notice of resignation. If the Agency asks an employee who has voluntarily resigned to leave our employ before the end of the notice period (for example, if a replacement is to begin immediately), the employee will be paid for the entire notice period.

### PAYROLL AND THE RETURN OF FIRST 5 PROPERTY

All employees separating from First 5 Alameda County will receive their final payroll at the next regularly scheduled payroll date. Employees are required to turn over all keys, access cards and other Agency property to the Office Manager before leaving on their last day of work.

### REDUCTION IN WORKFORCE

First 5 Alameda County (~~First 5~~) is funded by revenue from the 1998 Proposition 10 tobacco tax. Tobacco taxes are a declining revenue stream which requires prudent organizational and financial planning. Revenue maximization efforts have been made to strategically invest the funds received from Prop 10 so that they generate and leverage additional revenue that will offset the declines. Even so, it is anticipated that the funding for First 5 Alameda County will decline over time. In addition, it is possible that changes in the state may change the tobacco tax allocation in Alameda County, from minimally to dramatically. Further, through the adoption and amendment of the First 5 Alameda County Strategic Plan, particular programs may be eliminated or scaled back, reducing the staffing needs for those programs.

This reduction in workforce policy is established as part of a comprehensive compensation strategy which is designed to retain highly skilled and trained employees as long as possible through the incentive of a severance package. If retention is not ultimately possible due to program and/or funding reductions, outplacement services will be provided that assist affected employees to find employment in agencies that serve children age 0-5, as explained below.

In the event First 5 [Alameda County](#) determines that it is necessary to implement a reduction in the workforce, the methods below may be used to accomplish this. First 5 [Alameda County](#) reserves the right to determine when and whether it is necessary to implement a reduction in force, the employees who would be covered by the reduction in force, and the method for implementing the reduction in force. Generally, First 5 [Alameda County](#) shall give primary consideration to the needs and circumstances of the program and [the Agency](#) [First 5](#). The following are terms and conditions which First 5 will apply in the event of a reduction in force. Since First 5 [Alameda County](#) cannot foresee the future circumstances and funding of the program and [First 5 the Agency](#), it reserves the discretionary right to change the terms and conditions.

- Employees may be hired for [time-limited temporary](#) positions, with the duration of the position dependent on the availability of funding. Employees hired for ~~time-~~ [limited temporary](#) positions are not eligible for severance pay, but are eligible to receive outplacement services.
- First 5 [Alameda County](#) may reduce positions through attrition, as long as a workforce can be maintained that supports the program needs at the time.
- First 5 [Alameda County](#) may require all or a portion of employees to go on furlough (ie, work fewer hours per week or take a specified period of time off work without pay). During the period of furlough, First 5 [Alameda County](#) will maintain affected employees' health and dental insurance benefits at the same level as they were prior to the furlough for a period not to exceed eighteen (18) months.
- First 5 [Alameda County](#) may reduce a position(s) from full-time to part-time dependent on program needs and availability of funding. If First 5 [Alameda County](#) reduces a position to part-time, First 5 [Alameda County](#) will maintain employees' health and dental benefits at the same level as they were immediately prior to the reduction for a period not to exceed eighteen (18) months, and subject to any future changes in the [First 5 Agency's](#) benefit package. Employees that voluntarily request a part-time schedule are not eligible for this benefit.
- First 5 [Alameda County](#) may eliminate positions, resulting in a separation of impacted employees. First 5 [Alameda County](#) shall determine if the reduction in force will occur on an agency-wide basis or in one or more programs and/or classifications. If this option is utilized, continued employment with First 5 [Alameda County](#) will be based on the following factors:
  - ♦ Availability of open vacant positions within First 5 [Alameda County](#)
  - ♦ Transferability of skills to other positions within First 5 [Alameda County](#)
  - ♦ Demonstrated current and past performance

Evaluation of these factors shall be within the sole discretion of First 5 [Alameda County](#). If these factors are equal between two or more employees of the same classification in the same program, then length of service will be the deciding factor for continued employment. An employee's length of service is measured from the original date of employment with First 5 Alameda County (including time as a County employee, Tri-Net employee, Diversified employee, or First 5 Alameda County employee) as long as there has not been a break in service greater than 30 days, not including leave mandated and protected by applicable laws such as FMLA (Family and Medical Leave Act), CFRA (California Family Rights Act), the California Pregnancy Disability Law, or other approved leaves of absence.

The above provisions will not apply to employees whose employment is terminated for reasons other than due to the reduction in workforce, such as termination for poor performance or misconduct.

### Notice

Employees selected for reduction in workforce through elimination of position will be given 30 calendar days notice.

### Severance Pay

In the event that positions are eliminated due to the need to reduce the First 5 Alameda County workforce, First 5 Alameda County will authorize severance pay in the amount of two weeks of regular base salary or pay (i.e., the employee's regular base salary or regular straight-time hourly wages for the time period) and not irregular pay (such as accrued vacation leave paid out during the time period), less applicable tax and other withholdings, for every year of continuous full time service (according to the above length of service definition), not to exceed eighteen (18) weeks of pay. This payment shall be made in one lump sum. (According to ACERA, this amount is not pensionable.) In order to receive severance pay, employees will first be required to sign a waiver releasing First 5 Alameda County from any and all liability arising out of their employment and separation from employment. Refusal to sign the waiver timely will render an employee ineligible to receive severance pay.

In addition to severance pay as described above, and only for employees who are not eligible for the federal COBRA subsidy under the American Recovery and Reinvestment Act of 2009 (or any subsequent extensions of this Act), First 5 Alameda County will also make a payment equivalent to \$500 per year of service (as defined above) up to but not to exceed \$3000.00 to provide financial support to the employee for the purpose of maintenance of his/her health insurance. This payment shall be made in one lump sum, and will be issued at the same time and under the same conditions as severance pay.

### Outplacement Services

Employees whose positions are being eliminated or who were hired for ~~time-limited~~ temporary positions are eligible for First 5 Alameda County outplacement services. These services are designed with the goal of placing First 5 Alameda County staff in positions within Alameda County where they can continue to use their skills and expertise on behalf of children age 0-5. These outplacement services will be considered part of First 5 Alameda County systems change work in Alameda County by placing trained and skilled individuals into positions where they can continue to support and contribute to programs for the 0-5 population, and continue to use the skills they learned and honed at ~~First 5~~ the Agency. Outplacement services to assist employees with their employment search are available from First 5 Alameda County for a period not to exceed three months following the date of separation. First 5 Alameda County makes no guarantee that utilizing its outplacement services will result in an offer of employment.

~~First 5~~ The Agency reserves the discretionary right to interpret, administer, and terminate or alter this policy at any time upon approval by the First 5 Alameda County Commission.

**EXIT INTERVIEWS**

The Chief Executive Officer, Finance and Administration Director, or the Human Resources Administrator will conduct an exit interview with each employee who voluntarily terminates employment with First 5 Alameda County prior to the last day of work. These conversations enable the Agency to gather important information about personnel policies and procedures that may be of benefit to many other employees. Although exit interviews are not mandatory, employees are encouraged to participate in them and to speak frankly about their employment experience with First 5 Alameda County.



## ACKNOWLEDGEMENT OF RECEIPT

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### RECEIPT OF MANUAL

I hereby acknowledge that I have received a copy of the First 5 Alameda County Personnel Policies Manual and understand that the Manual contains important information on the general personnel policies of First 5 Alameda County and on my privileges and obligations as an employee. I acknowledge that I am expected to read, understand, and adhere to First 5 Alameda County’s policies. By my signature below, I also understand and agree specifically with the policy in the Manual titled “Overtime Pay.” By my signature below, I also understand that employment at First 5 Alameda County is at-will employment, as described on page\_s ~~28-~~ 29-30 of this Manual.

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Employee’s Name (Printed)

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Employee’s Signature

---

Date

**CHANGE LOG**

Item	Date
Original adoption of Personnel policies adopted by Commission	5/21/2004
Addition of fingerprinting under “Work Eligibility” – approved by Commission	5/26/2005
Medical and Dental Insurance sections rewritten to reflect current benefit structure – approved by Commission	5/26/2005
Addition of “Tools and Technology” section – approved by Commission	5/26/2005
“Floating Personal Days” and “Personal Use Time” merged under “Paid Time Off (PTO)” – approved by Commission	5/26/2005
“Unpaid Time Off and Leaves of Absence” section reformatted to include matrix of leaves – approved by Commission	5/26/2005
Addition of “Bilingual Pay” section – approved by Commission	5/26/2005
Addition of Catastrophic Leave Bank – approved by Commission	9/29/2005
Year End Manual Clean-up – reviewed by Executive Committee	6/19/2006
Year End Manual Clean-up – reviewed by Executive Committee	5/22/2008
Change in Full Time Status definition	5/22/2008
Addition of Professional Development section	5/22/2008
Addition of Payment in Lieu section	5/22/2008
Addition of Long Term Disability section	5/22/2008
Addition of Children in the Workplace section	5/22/2008
Addition of Telecommuting section	5/22/2008
Addition of References section	5/22/2008
Deleted Position Description section	5/22/2008
Formatting	2/25/2009
Year End Manual Clean-up – reviewed by Executive Committee	6/25/2009
Addition of Paid Family Leave section	6/25/2009
Addition of Breastfeeding-Friendly Workplace section	6/25/2009
Addition of Reduction in Workforce section – approved by Commission 12/11/08, with addition of severance pay cap 3/26/09	6/25/2009
<u>Year End Manual Clean-up – reviewed by Executive Committee</u>	<u>6/24/2010</u>
<u>Addition of modifications to sick leave policy - approved by Commission on 12/10/09</u>	<u>6/24/2010</u>
<u>Deleted Tools and Technology benefit – approved by Commission on 12/10/09</u>	<u>6/24/2010</u>
<u>Addition of Personal Leave of Absence</u>	<u>6/24/2010</u>



**To:** First 5 Alameda County Commission  
**From:** Patricia Zapanta, Director, Finance & Administration  
**Date:** June 24, 2010  
**Subject:** Investment Policy Recommendations

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#### **ACTION REQUESTED**

To review and approve the following revisions to the Investment Policy recommendations.

#### **BACKGROUND**

First 5 Alameda County (F5AC) adopted an Investment Policy in May 2005, which was amended on December 2005, May 2006 and every year since June 2007. In accordance with the Investment Policy Section VIII.1, "the CEO or his designee shall annually render a statement of investment policy, which the Board will consider at a public meeting".

Each year, prior to such review, First 5 Alameda County Finance staff works with the money managers to discuss any proposed changes to the policy or changes in California Government Code Section 53600, which guides the investment of public funds.

#### **RECOMMENDATIONS**

The revisions in this version are generally wording changes which are more specific to describe the aspects of the whole investment program and housekeeping in nature in order to make the Policy clear and consistent to read as possible.

The following recommendations are made in the attached document in track changes format.

Section I. (starting with page 1 and throughout the whole document) The Finance Advisory Committee has been deleted and replaced with Executive Committee which provides oversight to F5AC's investment activities.

Section II. (page 2) The addition of a general statement which frames F5AC's adherence of investment objectives to both Federal and State guidelines.

Section III.1. (page 3) Addition of standard language that is highly recommended by the Government Finance Officers Association (GFOA) which tightens the definition of a "prudent person."

Section III. 3 (pages 3-4) Clarification of delegation of authority with specific duties and responsibilities within F5AC.

Section IV. 2 (page 4) Specifies and tightens the language on broker/dealer's requirements. Updates the name of the broker/dealer regulating body from National Association of Securities Dealers to Financial Industry Regulatory Authority.

Section V (pages 5-6) Addition of specific language related to safekeeping and custody. Describes details on achieving safekeeping and custody by proper selection of third party custodian and implementation of internal controls.

Section VI (pages 6-8) Eligible investments have been revised to clearly convey the types of instruments that F5AC can invest in to be more consistent with the language of the code. Primary issuers of some instruments were deleted to increase flexibility of the portfolio. In addition, Commercial Paper has been replaced with Prime Commercial Paper to limit F5AC's credit exposure.

**FISCAL IMPACT**

There is no fiscal impact.

**RECOMMENDATION**

To review and approve the following revisions to the Investment Policy

Submitted by:

Reviewed by:

\_\_\_\_\_  
Patricia Zapanta, Finance and  
Administration Director

\_\_\_\_\_  
Mark Friedman, Chief Executive Officer



FIRST 5 ALAMEDA COUNTY INVESTMENT POLICY —

ADOPTED MAY, 2005, AMENDED DEC. 2005, MAY 2006, JUNE 2007, JUNE 2008, JUNE 2009 AND JUNE 2009, 200910

**I. APPLICABILITY**

The iinvestment pPolicy (the “Policy”) of First Five 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 iinvestment pPolicy 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 First 5 for program services over the course of the next 68-10 years<sup>[EF1]</sup>.

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)<sup>[EF2]</sup>.

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

1. Review the overall investment philosophy of F5AC, determine whether the investment practices follow that philosophy and this Ppolicy, and recommend appropriate changes to the Board.
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.
- ~~6.~~ Prepare quarterly 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:~~The primary objectives, in priority order, of F5AC's investment activities shall be:~~

1. **SAFETY.** Safety of principal is the foremost objective of the investment program. The objective ~~will~~ shall be to mitigate credit risk and interest rate risk.
  - a. *Credit Risk.* F5AC ~~will~~ shall minimize credit risk, ~~which is~~ 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 ~~investment p~~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 ~~will~~ shall be minimized.
  - b. *Interest Rate Risk.* F5AC ~~will~~ 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 p~~Policy (see section VII).~~
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~~the Agency shall maintain a minimum of three months of operating expenditures in the Alameda County Treasury.
3. ~~YIELD.~~ 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 ~~shall~~ 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~~person" standard and shall be applied in the context of managing an overall portfolio. The "prudent person" standard states that, "Investments shall be made 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 person 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 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 Director of Finance and Administration 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 ~~Investment~~ 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 shall monitor and review all investments for consistency with this investment policy. The CEO may have further delegated the authority to conduct investment transactions and to manage the operation of the investment portfolio to other specifically authorized staff membersthe Director of Finance and Administration. The Director of Finance and AdministrationCEO 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 Investment Policy.

The Director of Finance and Administration 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 Director of Finance and Administration 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 Chief Executive Officer may delegate responsibility for day-to-day management of the portfolio, investment decision-making and/or execution authority to an investment advisor(s).~~ The advisor(s) shall follow this Ppolicy and such other written instructions as are provided.

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

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

The Director of Finance and Administration 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.

~~4.21. **AUTHORIZED FINANCIAL INSTITUTIONS, DEPOSITORIES, AND SELECTION OF BROKER/DEALERS.** The Director of Finance and Administration shall ~~A list will be~~ maintain a listed of financial institutions and ~~depositories, and broker/dealers~~ authorized to provide investment services. ~~In addition, a list will be maintained of approved security broker/dealers selected by creditworthiness (e.g., a minimum capital requirement of \$10,000,000 and at least five years of operation). These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).~~~~

~~2.~~

All ~~financial institutions and~~ broker/dealers who desire to become qualified for investment transactions must supply the following as appropriate~~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:

- ~~Audited~~ The firm's most recent financial statements; demonstrating compliance with state and federal capital adequacy guidelines
- Proof of Financial Industry Regulatory Authority (FINRA) certification; and National Association of Securities Dealers certification (not applicable to Certificate of Deposit counterparties)
- 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.

- ~~Proof of state registration~~
- ~~Completed broker/dealer questionnaire (not applicable to Certificate of Deposit counterparties)~~
- ~~Certification of having received and reviewed F5AC's investment policy.~~
- ~~Evidence of adequate insurance coverage.~~

An annual review of the financial condition and registration of all qualified ~~financial institutions and~~ broker/dealers ~~will~~ shall be conducted by the Director of Finance and Administration and the Executive Committee.

**23. MINORITY AND COMMUNITY FINANCIAL INSTITUTIONS.** From time to time, the Director of Finance and Administration 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 4 2 may be granted by the Executive Committee. All terms and relationships will shall be fully disclosed to the Executive Committee prior to purchase.

- 3. WORKING WITH INVESTMENT ADVISORS/PORTFOLIO MANAGERS.** Investment advisors and portfolio managers will shall be selected by the Finance Committee or their designee after an initial screening and an interview process. Among the criteria for selection will 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 Report 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 ~~—monthly.~~
- Investment advice ~~—~~ within 5 five business days of any trade.
- ~~For each security purchased or sold, d~~ Documentation supporting 3 three bids or offers obtained for each security purchased or sold., when possible, shall be maintained.
- Quarterly, a R report demonstrating compliance with this investment p Policy ~~—quarterly.~~
- Notice of noncompliance, within five business days of the transaction, when the rating of an individual security declines below that allowed by this p Policy, or the percentage of the portfolio in an investment type exceeds the maximum allowed by this policy Policy, or the amount allowed to be invested in one issuer exceeds the percentage allowed by this policy Policy ~~—within 5 business days of the noncompliance.~~

## V. SAFEKEEPING AND CUSTODY

The Director of Finance and Administration 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.”

~~1. DELIVERY VS. PAYMENT. All trades of marketable securities will be executed by delivery vs. payment to ensure that securities are deposited in an eligible financial institution prior to the release of funds.~~

~~2. SAFEKEEPING. Securities will be held by an independent third-party custodian as evidenced by safekeeping receipts in F5AC’s name. The safekeeping institution shall annually provide a copy of their most recent report on internal controls (Statement of Auditing Standards No. 70).~~

~~3. INTERNAL CONTROLS. The Chief Executive Officer or his designee shall establish a system of internal controls, which shall be documented in writing. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, and misrepresentations by third parties and imprudent actions by employees or officers of F5AC. The internal controls shall be reviewed with the independent external auditor.~~

**VI. ELIGIBLE INVESTMENTS**

**A. Authorized Investments**

All investments shall be made in accordance with Sections 16429.1, 53600 – 53609, and 53630 – 53686 et seq. of the Government Code of California and as described within this ~~Investment~~ Policy. Permitted investments under this ~~policy~~ 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.  
~~Securities issued by the US Treasury, provided that there shall be no maximum allowable investment in US Treasury securities;~~
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 instrumentalities.

~~Securities issued by a Federal Agency also referred to as a Government Sponsored Enterprise (GSE).~~

~~Examples of such Federal Agencies are Federal Agencies such as Federal National Mortgage Association, Federal Home Loan Mortgage Corp, Federal Home Loan Bank, Federal Farm Credit Bank), provided that there shall be no maximum allowable investment in such securities;~~

3. ~~Negotiable eCertificates of dDeposit (NCDs) provided that: Certificates of Deposit with a maturity not exceeding five years and issued by institutions which have long-term debt rated at least "A" or higher by S&P and Moody's the equivalent by a NRSRO; and/or have short-term debt rated at least A1 by S&P or P1 by Moody's or the equivalent by a NRSRO;.~~ No more than 30% of the total portfolio may be invested in ~~N~~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. collateralized with securities authorized under Sections III(A1-2) of this policy maintained at a level of at least 102% of the market value of the repurchase agreements, provided that:~~

- a. ~~The maximum maturity of repurchase agreements shall be 1 year;~~
- b. ~~There is no limit to the amount to be invested in repurchase agreements;~~
- c. ~~Securities used as collateral for repurchase agreements, shall be delivered to the Agency's custodian bank, except that securities used as collateral for the one to seven day repurchase agreements with the Agency's depository bank may be held in safekeeping by the depository bank's trust department in the name of the Agency, as evidenced by appropriate receipts of trust (See Section II E); and~~
- d. ~~The repurchase agreements are the subject of a master repurchase agreement between the Agency and the provider of the repurchase agreement. The master repurchase agreement shall be substantially in the form developed by the Public Securities Association;~~

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 City's total portfolio shall be invested in commercial paper.

~~provided that:~~

- ~~a. The maturity does not exceed 270 days from the date of purchase;~~
- ~~b. The issuer is a corporation organized and operating in the United States with assets in excess of \$500 million;~~
- ~~c. The paper is rated a minimum of P1 by Moody's Investor Services (Moody's) and A1 by Standard & Poor's Inc. (S&P); and~~
- ~~d. No more than 25% of the portfolio is invested in commercial paper;~~

**6. State of California's Local Agency Investment Fund (LAIF): LAIF, in accordance with California Government Code Section 16429.1.**

**~~State of California Local Agency Investment Fund (LAIF), provided that:~~**

- ~~a. The Agency may invest up to the maximum permitted amount in LAIF (currently \$40MM); and~~
- ~~b. LAIF's investments in instruments prohibited by or not specified in the Agency's policy do not exclude it from the Agency's list of allowable investments, provided that the fund's reports allow the Agency Treasurer to adequately judge the risk inherent in LAIF's portfolio;~~

**7. Corporate ~~m~~Medium-term ~~n~~Notes, provided that:**

- ~~a. Such notes have a maximum maturity of five years;~~



- ~~b. are 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;~~
  - ~~c. are rated in a rating category of "A" (not A-) or its equivalent or better by Moody's and S&P; and~~
  - ~~d. holdings of medium-term notes may not exceed 30 percent of the portfolio; 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 City's total portfolio. AAA rated FDIC-guaranteed corporate bonds are herein authorized, with the aforementioned diversification and maturity requirements.~~
8. Mortgage ~~p~~Pass-through ~~s~~Securities and ~~a~~Asset-backed ~~s~~Securities; Mortgage pass-through securities and asset-backed securities provided that:
- ~~a. such securities shall have a maximum stated final maturity of five years and shall be rated at least AAA by S&P or Aaa by Moody's; and~~
- ~~or the equivalent by a NRSRO. No more than . purchase of securities authorized by this subdivision may not exceed 20 percent of the portfolio may be invested in such securities. .~~
9. Money ~~m~~Market ~~m~~Mutual ~~f~~Funds;  ~~provided that such funds:~~
- ~~a. Money market mutual funds which are registered with the Securities and Exchange Commission 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 are rated AAA by S&P or Aaa by Moody's or the equivalent by a NRSRO. The aggregate investment in money market funds shall; OR~~
  - ~~b. Have retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by California Government Code Section 53601 (a through j) and with assets under management in excess of \$500 million.~~
  - ~~c. Purchase of securities authorized by this subdivision may not exceed 20 percent% of the portfolio. .~~

- ~~10. Local Agency Obligations, provided that: Local agency obligations whose short-term rating is at least~~  
~~Are rated A-1 / P-1, or equivalent or better short term by two nationally recognized statistical rating agencies NRSROs or whose long-term rating is at least AA or the equivalent by two NRSROs.; OR~~  
~~a. Are rated Aa / AA or better long term by two nationally recognized statistical rating agencies.~~

**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 ~~III-VI A(429)~~, unregulated and/or unrated investment pools or trusts, collateralized mortgage obligations and futures and options.
2. ~~In accordance with Government Code Section 53601.6, i~~investment in inverse floaters, range notes, or mortgage derived interest-only strips ~~is 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. ~~The use of~~Using reverse repurchase agreements, securities lending or any other form of borrowing or leverage is prohibited.
7. ~~The purchase of~~Purchasing securities issued by company in the tobacco business, including parent companies and their controlled subsidiaries, is prohibited. -
8. ~~The purchase of~~Purchasing foreign currency denominated securities.
9. ~~Prohibited investments held in the portfolio at the time of adoption of this policy~~ 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. ~~The~~



~~Agency F5AC shall mitigate credit risk by adopting the following strategies in the following ways:~~

1. ~~Abiding by~~ ~~the~~ diversification requirements included in Section ~~III-VI~~ (A) ~~are designed to mitigate credit risk in the portfolio;~~
2. ~~Limiting~~ ~~No more than~~ 5% of the total portfolio ~~may be invested in to~~ securities of any single issuer, other than the US Government, its agencies and instrumentalities;
3. ~~The Agency may elect~~ 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 ~~the Agency's F5AC's~~ risk preferences; and
4. ~~If~~ Reviewing securities owned by ~~the Agency F5AC which~~ are downgraded by ~~either Moody's or S&P~~ to a level below the quality required by this Investment Policy. ~~It such cases,~~ it shall be ~~the Agency's F5AC's~~ policy to review the credit situation and make a determination as to whether to sell or retain such securities in the portfolio.
  - a. If a security is downgraded two grades below the level required by ~~the Agency F5AC~~, the security shall be sold immediately.
  - b. If a security is downgraded one grade below the level required by this Policy, the ~~F5AC Agency~~ Finance Director ~~will~~ 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.
  - c. If a decision is made to retain a downgraded security in the portfolio, its presence in the portfolio ~~will~~ shall be monitored and reported monthly to the ~~Agency Council~~ 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 The Agency~~ recognizes that, over time, longer-term portfolios achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. ~~The Agency 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. ~~The Agency 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. ~~The Agency, t~~Therefore, ~~adopts~~ the following strategies shall be adopted to control and mitigate ~~its~~ exposure to market risk:

- ~~1. Maximum Maturities.~~ 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 ~~6-six~~ years. All other investments shall have a final maturity as stated in ~~s~~Section VI., Eligible Investments.
- The weighted average maturity of the portfolio ~~will~~ shall not exceed ~~3-three~~ years.
- Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding ~~6-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 to the average yield on the U.S. Treasury security that most closely corresponds to the portfolio's actual weighted average effective maturity. When comparing the performance of F5AC's portfolio, its rate of return shall be computed net of all fees and expenses.

~~A. Overall objective. The investment portfolio shall be designed with the overall objective of obtaining a total rate of return throughout economic cycles, commensurate with investment risk constraints and cash flow needs.~~

~~B. Specific objective. The investment performance objective for the portfolio shall be to earn a total rate of return over a market cycle which is approximately equal to the return on the agreed upon Benchmark Index.~~

## VIII. REPORTING

Monthly, the Director of Finance and Administration 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.

## IX. POLICY REVIEW

This Investment Policy shall be adopted annually by resolution of the Executive Committee. It shall be reviewed 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.

### **REPORTING REQUIREMENTS**

- ~~1. **ADOPTION OF INVESTMENT POLICY.** In accordance with Government Code Sections 53600 through 53609, the Chief Executive Officer or his designee shall annually render to the Commission a statement of investment policy, which the Commission shall consider at a public meeting.~~
- ~~2. **QUARTERLY REPORTING.** The Chief Executive Officer shall submit quarterly an investment report that summarizes recent market conditions, economic developments and anticipated investment conditions. The report shall summarize the investment strategies employed in the most recent quarter, and describe the portfolio in terms of investment securities, maturities, risk characteristics and other features. The report shall explain the quarter's total investment return and compare the return with budgetary expectations. The report shall include an appendix that discloses all transactions during the past quarter. The report shall be in compliance with state law and shall be distributed to the Finance Advisory Committee and others as required by law.~~

~~Each quarterly report shall indicate any areas of policy concern and suggested or planned revision of investment strategies.~~

~~Within 40 days of the end of the fiscal year, the Chief Executive Officer shall present an annual report on the investment program. The annual report shall include 12-month and separate quarterly comparisons of return and shall suggest policies and improvements that might be made in the investment program.~~



## GLOSSARY OF INVESTMENT TERMS<sup>©</sup>

**Agencies.** Shorthand market terminology for any obligation issued by a *government-sponsored entity (GSE)*, or a *federally related institution*. Obligations of GSEs are not guaranteed by the full faith and credit of the US government. There are eight GSEs, five of which are currently active in the new issue market. The five include:

**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.

*Federally related institutions* are arms of the federal government. Most do not issue securities directly into the market. Those, which do issue directly, include the following:

**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.

**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.

**Certificate of Deposit (CD).** A time deposit with a specific maturity evidenced by a certificate. Large denomination CDs may be marketable.

**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.

**Haircut:** The margin or difference between the actual market value of a security and the value assessed by the lending side of a transaction (i.e. a repo).

**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.

**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 either on 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 (Tbills, discount notes, commercial paper and banker's acceptances) are issued and traded.

**Mortgage pass-through securities.** A securitized participation in the interest and principal cashflows from a specified pool of mortgages. Principal and interest payments made on the mortgages are passed through to the holder of the security.

**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.

**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 (man) 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 (RP, Repo).** 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.

**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, and includes interest earnings and realized and unrealized gains and losses on 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 Tbills 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.

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**To:** First 5 Alameda County Commission

**From:** Patricia Zapanta, Finance and Administration Director

**Date:** June 24, 2010

**Subject:** Financial Report for July 1, 2009 – April 30, 2010

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#### REQUESTED ACTION

To review and approve the Financial Report for the first ten months of FY 2009-10 .

#### BACKGROUND

The following is a narrative report of Revenue and Expenses for the period of July 1, 2009 – April 30, 2010. Spreadsheets with Revenue and Expense information are attached. If all expenses and revenue were equally received and spent throughout the year, the revenue and expenses would be at 83.3% of the budget projection.

#### Revenue

As of April 30, revenue was \$13,180,376, or 64% of the revenue projection, for the reasons outlined below. Being below the budget projection at this time of year is not unusual; last year the revenue at this point was at 67.5% of the budget.

- First, the receipt of the monthly tobacco tax allocation is two months in arrears. \$9,454,608 was received for the first eight months of the year, representing 67.5% of the budget projection. If the trend of the first eight months of tobacco tax revenue continues, the tobacco tax allocation at year end will be \$14,181,912. The tobacco tax revenue projection has been adjusted conservatively to \$14,000,000 in the last Budget Modification to align with actual revenue received.
- With regard to Income from Alameda County agencies, currently \$2,225,983 is budgeted which consists of \$986,320 from Alameda County Child Care Planning Council for AB212 funding for professional development and stipends for school-age providers. It also includes a \$725,510 projected revenue from Alameda County Public Health Department for the implementation of the Substance Abuse Mental Health Services Administration (SAMHSA) Project LAUNCH, ECChange maintenance fees

and 50% reimbursement of costs for a SART (Screening, Assessment, Referral and Treatment) child developmental specialist position and \$514,153 from Alameda County Behavioral Health Care Services for the SAMHSA Early Connections project that creates an infrastructure for a system of care, the SART Pathways system and reimbursement for hiring an Early Connections Strategic Plan Coordinator. Only \$124,805 has been received so far.

- As of April 30, \$67,984 has been received for the Early Care and Education higher education federal appropriation for the development of a cohort model at a community college. The Federal Grants budget also consists of a \$476,000 appropriation for the Children's SART program.
- For State Grants, we received payments from First 5 California for the School Readiness grant in the amount of \$1,931,663, the last payment for the CARES program in the amount of \$232,360 and a \$15,663 reimbursement for Health Care for All program.
- There is a timing issue with regards to Fiscal Leveraging revenues. The revenue for Medi-Cal Administrative Activities (MAA) reported as of April 30 reflects income budgeted for FY 2008-09 which was not received at the time of fiscal closing. The \$350,000 budget is for 2009-10. Invoices were submitted in February 2010 and revenues of approximately \$676,000 were received in June 2010. Title IV-E revenues are reimbursements for child worker welfare training activities in the SART program.
- Investment revenue is \$873,598 or 77.7% of the budget projection. This projection tends to run behind all year due to the reversal of the year-end accrual, and then will catch up at year-end.
- Other Sources of revenue reported for \$69,701 is revenue from First 5 Contra Costa for reimbursement of Hospital Outreach Coordinator expenses.
- Sustainability funds are used at year-end to close the gap between revenue and expenses and are from the First 5 Alameda County Sustainability Fund reserve. The amount authorized by the Commission for use in 2009-10 is \$6,947,507.

## Expenses

Total Expenses are \$16,799,176, which is 60.91% of the budget amount of \$27,581,298. This amount is consistent with spending patterns from prior years; at this point last year Expenses were \$17,817,158 on a total budget of \$28,037,554, or 63.55% spent.

In most line items, the percentage spent is approximately 83.33% except for one line item which is Grants. Grant funds are slightly over spent at 87.15% primarily due to the timing of the payment schedules of the 2007-09 and 2009-11 grant cycles of the Community Grants Initiative program.

It is important to note that General Expenses that are allocated to all programs are posted throughout the year to the Administration budget (which then appears to be going “over budget”.) However, costs are allocated across programs at year-end.

**Summary**

The Revenue and Expenses are appropriate for this time in the fiscal year.

**Fiscal Impact**

The Revenue and Expenses are appropriate for this time of year; there is no additional fiscal impact.

**REQUESTED ACTION**

To review and approve the Financial Report for the first ten months of FY 2009-10 .

Submitted by:

Reviewed by:

\_\_\_\_\_  
Patricia Zapanta, Finance and  
Administration Director

\_\_\_\_\_  
Mark Friedman, Chief Executive Officer

**First 5 Alameda County  
Revenue and Available Funds  
For the Period July 1, 2009 - April 30, 2010**

Revenues	Budget	Actual	Variance	Percentage Received
<b>Prop 10 Tobacco Tax</b>	14,000,000	9,454,608	(4,545,392)	67.5% <b>A</b>
<b>Income from Alameda Co. Agencies</b>	2,225,983	124,805	(2,101,178)	5.6% <b>B</b>
<b>Grants</b>				
Federal	597,554	67,984	(529,570)	11.4% <b>C</b>
State	2,179,686	2,179,686	0	100.0% <b>D</b>
	2,777,240	2,247,670	(529,570)	80.9%
<b>Fiscal Leveraging</b>				
Medi-Cal Administrative Activities (MAA)	350,000	384,491	34,491	109.9%
Title IV-E Child Welfare Education	0	14,299	14,299	-100.0%
	350,000	398,791	48,791	113.9% <b>E</b>
<b>Investment Revenue</b>	1,125,000	873,598	(251,402)	77.7%
<b>Other Sources</b>	120,568	69,701	(50,867)	57.8% <b>F</b>
<b>Miscellaneous Income</b>	0	11,203	11,203	-100.0%
<b>Total Revenues</b>	<b>20,598,791</b>	<b>13,180,376</b>	<b>(7,418,415)</b>	<b>64.0%</b>

Available Funds				
<b>Sustainability Fund</b>	6,947,507	0	(6,947,507)	0.0%
<b>Carry Over Restricted Funds</b>				
Washington Mutual	35,000	0	35,000	0.0%
Total Carry Over Restricted Funds	35,000	0	35,000	0.0%
<b>Total Available Funds</b>	<b>6,982,507</b>	<b>0</b>	<b>(6,912,507)</b>	<b>0.0%</b>

<b>TOTAL REVENUES &amp; AVAILABLE FUNDS</b>	<b>27,581,298</b>	<b>13,180,376</b>	<b>(14,330,922)</b>	<b>47.8%</b>
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**Notes:**

- A - Tobacco tax revenues received include allocations up to February 2010.  
Tobacco tax revenues from the State are 2 months in arrears.
- B - A major portion of the budget is for AB212 funds from Alameda Co. General Services Agency Childcare Planning Council. This revenue is typically received at the end of the fiscal year.  
Other portions of the revenue include income from Alameda Co. PHD and BHCS.
- C - The budget consists of federal earmarks for SART and ECE higher education.
- D - Actual revenues consist of receipts from State First 5 for School Readiness, CARES and Health Care for All (please refer to details in the narrative).
- E - MAA revenues are reimbursements for invoices submitted in FY 2008-09. Title IV-E revenues are reimbursements for child welfare worker training activities.
- F - Indicates revenue from First 5 Contra Costa for Hospital Outreach Coordinator services

**First 5 Alameda County  
Budget vs. Actual Expenditures  
July 1,2009 - April 30, 2010**

	Family Support Services		Early Care & Education		Community Grants		Support Strategies		Evaluation & Technology		Administration		T o t a l		Variance	Percentage Spent
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual		
<b>Personnel</b>																
Personnel	378,514	302,159	853,735	590,854	352,061	295,735	718,705	472,998	631,534	495,050	958,772	673,543	3,893,320	2,830,339	1,062,981	72.70%
Service Delivery Personnel	1,267,200	958,888	0	0	0	0	0	0	0	0	0	0	1,267,200	958,888	308,312	75.67%
Benefits	822,857	618,799	404,712	271,608	176,030	107,069	335,703	167,923	315,767	215,937	472,386	291,212	2,527,455	1,672,547	854,908	66.18%
<b>Sub-total Personnel</b>	<b>2,468,572</b>	<b>1,879,846</b>	<b>1,258,447</b>	<b>862,461</b>	<b>528,091</b>	<b>402,804</b>	<b>1,054,408</b>	<b>640,921</b>	<b>947,300</b>	<b>710,987</b>	<b>1,431,157</b>	<b>964,755</b>	<b>7,687,975</b>	<b>5,461,774</b>	<b>2,226,200</b>	<b>71.04%</b>
<b>Program Contracts/Grants/MOUs</b>																
Contracts	5,584,738	3,556,924	3,976,636	1,698,867	114,718	79,178	3,375,022	1,091,298	294,388	130,143	33,400	22,065	13,378,902	6,578,474	6,800,428	49.17%
Grants		185	1,470,740	1,089,081	2,600,000	2,458,273	0	0	0	0	0	0	4,070,740	3,547,539	523,201	87.15%
Professional Services Contracts	28,664	(2,625)	65,854	0	100,000	46,539	228,090	54,418	5,000	0	7,000	5,000	434,608	103,332	331,276	23.78%
<b>Sub-total Program Contracts/ Grants/MOUs</b>	<b>5,613,402</b>	<b>3,554,484</b>	<b>5,513,230</b>	<b>2,787,947</b>	<b>2,814,718</b>	<b>2,583,990</b>	<b>3,603,112</b>	<b>1,145,716</b>	<b>299,388</b>	<b>130,143</b>	<b>40,400</b>	<b>27,065</b>	<b>17,884,250</b>	<b>10,229,345</b>	<b>7,654,905</b>	<b>57.20%</b>
<b>Training Expenses</b>																
Copying/Printing	40,400	25,537	17,300	0	1,500	185	26,000	5,781	1,500	0	2,000	0	88,700	31,504	57,196	35.52%
Equipment Rental	1,000	0	0	0	500	0	3,400	276	400	0	250	0	5,550	276	5,274	4.98%
Food/Hospitality	17,500	13,492	8,150	3,528	7,000	4,240	72,250	10,832	1,500	1,221	8,500	1,952	114,900	35,266	79,634	30.69%
Honoraria	7,500	2,550	4,000	1,676	1,000	0	43,480	16,013	500	0	0	0	56,480	20,238	36,242	35.83%
Postage	2,850	654	6,550	2,317	1,000	877	4,030	355	2,900	357	3,300	1,117	20,630	5,676	14,954	27.51%
Professional Services	43,500	350	0	0	500	800	53,500	8,621	1,500	0	11,000	4,000	110,000	13,771	96,229	12.52%
Space Rental	1,000	(200)	3,700	0	1,000	500	2,250	300	0	0	1,000	148	8,950	748	8,202	8.36%
Supplies	56,000	24,484	58,600	28,824	5,000	2,536	188,650	52,835	12,600	8,433	58,700	35,445	379,550	152,557	226,993	40.19%
Travel	23,700	13,910	9,000	5,281	3,000	561	34,900	6,096	9,500	480	1,500	529	81,600	26,857	54,743	32.91%
Staff Development/Training	12,775	7,233	6,500	4,102	2,000	1,899	4,000	807	4,500	2,695	6,000	5,562	35,775	22,299	13,476	62.33%
<b>Sub-total Training Expenses</b>	<b>206,225</b>	<b>88,012</b>	<b>113,800</b>	<b>45,728</b>	<b>22,500</b>	<b>11,598</b>	<b>432,460</b>	<b>101,916</b>	<b>34,900</b>	<b>13,186</b>	<b>92,250</b>	<b>48,753</b>	<b>902,135</b>	<b>309,193</b>	<b>592,942</b>	<b>34.27%</b>
<b>General Expenses</b>																
Communications	17,894	6,735	9,880	1,698	3,272	437	5,818	2,103	2,836	587	3,782	14,623	43,482	26,184	17,298	60.22%
Copying/Printing	2,051	0	1,524	0	802	0	1,024	0	311	0	415	0	6,127	0	6,127	0.00%
Equipment Leases/Rentals/Maint.	13,118	1,716	10,261	0	5,397	0	6,904	0	2,093	0	2,794	26,090	40,567	27,807	12,761	68.54%
Equipment Purchase	8,187	0	6,351	0	3,340	0	24,274	1,272	1,296	0	11,728	5,665	55,176	6,937	48,239	12.57%
Insurance	26,069	0	20,320	0	10,688	0	13,672	0	4,144	0	5,528	52,348	80,421	52,348	28,073	65.09%
Membership and Dues	8,083	0	6,351	0	3,340	1,500	4,274	0	1,296	0	1,728	13,431	25,072	14,931	10,141	59.55%
Postage	505	7	381	0	200	15	256	28	78	6	103	166	1,523	221	1,302	14.52%
Professional Services	65,638	867	51,816	83	27,254	604	34,865	0	10,567	0	14,096	148,613	204,236	150,166	54,070	73.53%
Space Rental	94,402	86,762	60,139	52,727	25,030	21,945	300,818	260,330	42,120	37,386	113,521	73,328	636,030	532,478	103,551	83.72%
Travel	0	0	0	0	0	0	0	0	0	0	4,000	2,400	4,000	2,400	1,600	60.00%
Depreciation	3,239	0	2,540	0	1,336	0	1,709	0	518	0	963	0	10,305	0	10,305	0.00%
Short term gain or loss	0	0	0	0	0	0	0	0	0	0	0	(14,607)	0	(14,607)	14,607	-100.00%
<b>Sub-total General Expenses</b>	<b>239,186</b>	<b>96,087</b>	<b>169,563</b>	<b>54,508</b>	<b>80,659</b>	<b>24,501</b>	<b>393,614</b>	<b>263,732</b>	<b>65,259</b>	<b>37,979</b>	<b>158,658</b>	<b>322,056</b>	<b>1,106,939</b>	<b>798,864</b>	<b>308,074</b>	<b>72.17%</b>
<b>TOTAL</b>	<b>8,527,385</b>	<b>5,618,429</b>	<b>7,055,040</b>	<b>3,750,645</b>	<b>3,445,968</b>	<b>3,022,894</b>	<b>5,483,593</b>	<b>2,152,285</b>	<b>1,346,847</b>	<b>892,295</b>	<b>1,722,465</b>	<b>1,362,629</b>	<b>27,581,298</b>	<b>16,799,176</b>	<b>10,782,122</b>	<b>60.91%</b>



**To:** First 5 Alameda County Commission  
**From:** Patricia Zapanta, Finance and Administration Director  
**Date:** June 24, 2010  
**Subject:** Investment Report  
July 1, 2009 – April 30, 2010

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#### REQUESTED ACTION

To review and approve the Investment report.

#### BACKGROUND OF ACTIVITIES

In 2005-06, First 5 Alameda County transferred \$34,000,000 from the Sustainability Fund held by the Alameda County Treasurer's investment pool to outside money managers. This report is a summary of the activity and status of the investment portfolio as of April 30, 2010.

#### PORTFOLIO HIGHLIGHTS

The Investment Report shows the performance of funds that are invested in the Alameda County pool and with two money managers, Cutwater Asset Management (formerly known as MBIA Municipal Investors) and Chandler Asset Management. At 2008-09 year end, the market value of the funds with Cutwater and Chandler was \$40,283,900. At the end of ten months of 2009-10, the market value of the portfolio was \$41,428,644, an increase of \$1,144,744.

In this extremely volatile investment environment, it is important to select and maintain a long-term investment approach combined with stringent risk management. First 5 Alameda County is working very closely with its money managers to ensure that the investment objectives of a safety, liquidity and yield are accomplished.

A Bank of America corporate note held by Cutwater is on watch meaning that a rating change is imminent and likely to occur in the next 1 to 3 months. This note will mature within the next 6 months and our money manager is keeping an eye on this note.

Finally, as a result of the anticipated decline in Tobacco Tax revenue receipts, First 5 Alameda County is reaching a point wherein its cash inflow may be less than its projected expenses or cash outlay. It is important to be aware of the possible need to

liquidate portions of our portfolio to meet our obligations and to be willing and able to react quickly if this event occurs.

## **INVESTMENT REPORT**

### **Investment Income**

The first section reports on Investment Income, which is primarily determined by the interest or yield payments. For each asset, the payments are received every six months. Our money managers are purchasing assets that generate the highest possible yield, based on our Investment Policy.

The report represents nine months (July 1, 2009 – April 30, 2010) of the money managers' investment earnings (\$1,280,281) and three quarters of the Alameda County Treasurer's Office earnings (\$30,679).

The reversal of the accrual occurs each year. These are funds received in the first quarter that were actually earned, and thus credited, to the prior quarter. They were recognized as revenue in 2008-09 (\$437,901) so must be deducted from the funds recognized for the first quarter. This makes the report look very low in this period, but this is a typical occurrence. It is important to note that the 2009-10 earnings will include much of the first quarter's earnings for 2010-11.

The total Investment income after the reversal of the accrual was \$873,598.

### **Investment Fees**

Fees include ten months' worth of fees of the money managers (Cutwater and Chandler) and the fees of the account custodian (Union Bank of California). The total fees paid during this period were \$42,782.

### **Investment Activity**

The Investment Activity shows all transactions affecting our portfolio. When a money manager purchases assets, it increases the value of the portfolio. When a money manager sells an asset, it decreases the total portfolio value and increases or decreases investment earnings depending on the value of the asset at the time of the sale.

It is important to note that, as a result of the recent economic downturn, we are currently experiencing a net gain on disposal of \$14,557 compared with last year's position at this time of the fiscal year. In comparison, we reported \$219,895 net gain on disposal of our assets at the end of April 30, 2009.

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

This section reports on Market Value. It shows a comparison of our portfolios based on costs and market values. Cost is the original price of an asset while market value is the price at

which a security is trading and could presumably be purchased or sold. This part is a snapshot of the portfolio value, if the portfolio was liquidated. Since there is a possibility of liquidating portions of our portfolio, this section is valuable in determining the worth of our assets based on current market price.

**Yield Benchmarks**

The Yield section shows the Yield of the investment earnings, and compares those amounts to several benchmarks. In addition, the Yield helps to evaluate the money manager performance compared to each other. Cutwater and Chandler’s yields (2.880% and 3.620%, respectively) have significantly exceeded the LAIF benchmark (.560%) as of April 30, 2010.

Only the Alameda County Treasury Investment Pool is net of fees.

**FISCAL IMPACT**

The total investment earnings at the end of April 2010 are \$830,817.

**REQUESTED ACTION**

To review and approve the Investment report.

Submitted by:

Reviewed by:

\_\_\_\_\_  
Patricia Zapanta, Director  
Finance & Administration

\_\_\_\_\_  
Mark Friedman,  
Chief Executive Officer

**First 5 Alameda County  
Investment Report  
For the Period July 1, 2009 - April 30, 2010**

	<u>Union Bank</u>	<u>Cutwater Asset Management</u>	<u>Chandler Asset Management</u>	<u>Total</u>
<b>INVESTMENT INCOME:</b>				
Interest Received	0	780,002	500,819	1,280,821
Income from Alameda County Treasurer				30,679
Reversal of 2008-09 Accrual				(437,901)
Total Investment Earnings				<u>873,598</u>
Investment Fees Paid	(5,095)	(20,148)	(17,539)	(42,782)
Net Investment Income (Net of Fees)				<u>830,817</u>
<b>INVESTMENT ACTIVITY:</b>				
Portfolios at 7/01/09		22,779,375	16,815,211	39,594,586
Purchases		17,294,023	4,750,986	22,045,009
Sales		(2,115,907)	(2,392,903)	(4,508,809)
Maturities		(5,524,363)	(1,520,678)	(7,045,041)
Full Call		(8,010,005)	0	(8,010,005)
Principal Pay Down		0	(29,192)	(29,192)
Gain (Loss) on Disposal		(12,260)	26,817	14,557
Net Cash Management		(866,613)	(327,112)	(1,193,725)
Portfolios at 4/30/10		<u>23,544,251</u>	<u>17,323,130</u>	<u>40,867,381</u>
<b>COST VS. MARKET VALUE:</b>				
Portfolios at Market 4/30/10		23,803,848	17,624,796	41,428,644
Portfolios at Cost 4/30/10		23,544,251	17,323,130	40,867,381
Unrealized Gain (Loss) at 4/30/10		<u>259,597</u>	<u>301,666</u>	<u>561,263</u>
<b>YIELD AND BENCHMARKS:</b>				
Cutwater Asset Management (current yield)				2.880%
Chandler Asset Management (current yield)				3.620%
Local Agency Investment Fund (LAIF) as of 3/31/10				0.560%
1-5 Government Index (total rate of return)				2.330%
Alameda County Treasurer (net of fees) as of 3/31/10				0.004%

**First 5 Alameda County  
Investment Holdings  
As of April 30, 2010**

<u>Holder</u>	<u>Asset Name</u>	<u>Shares / Units</u>	<u>Cost Basis</u>	<u>Market Value</u>	<u>Asset Type</u>	<u>S&amp;P Rating</u>	<u>Moody's Rating</u>
Chandler	BELLSOUTH CORP NT 5.200% 9/15/14	160,000.0000	\$174,262.40	\$175,028.80	Corporate Obligations	A	A2
Chandler	BERKSHIRE HATH 3.200% 2/11/15	220,000.0000	\$219,817.40	\$224,232.80	Corporate Obligations	AA+	AA2
Chandler	BK OF AMERICA BDS 3.125% 6/15/12	335,000.0000	\$347,518.95	\$348,232.50	Corporate Obligations	AAA	AAA
Chandler	BK OF N Y MELLON NTS 4.300% 5/15/14	225,000.0000	\$236,775.25	\$239,688.00	Corporate Obligations	AA-	AA2
Cutwater	BOFA CORP NTS 7.400% 1/15/11	300,000.0000	\$321,864.00	\$312,174.00	Corporate Obligations	A-	A3
Chandler	CHEVRON CORP NTS 3.950% 3/03/14	245,000.0000	\$257,797.75	\$260,800.05	Corporate Obligations	AA	AA1
Cutwater	FFCB BDS 0.950% 10/26/11	1,250,000.0000	\$1,250,000.00	\$1,250,000.00	Government Obligations		
Chandler	FFCB BDS 3.000% 9/22/14	430,000.0000	\$439,698.90	\$440,212.50	Government Obligations		
Cutwater	FFCB BDS 3.150% 5/19/11	1,000,000.0000	\$1,035,960.00	\$1,026,880.00	Government Obligations	AAA	AAA
Chandler	FFCB BDS 4.500% 10/17/12	150,000.0000	\$154,407.00	\$160,969.50	Government Obligations	AAA	AAA
Chandler	FFCB BDS 4.875% 2/18/11	75,000.0000	\$80,004.22	\$77,554.50	Government Obligations	AAA	AAA
Cutwater	FFCB BDS 4.875% 4/04/12	1,000,000.0000	\$1,027,780.00	\$1,071,880.00	Government Obligations	AAA	AAA
Cutwater	FFCB BDS 5.000% 8/16/10	1,000,000.0000	\$1,033,580.00	\$1,013,440.00	Government Obligations	AAA	AAA
Chandler	FFCB BDS 5.375% 7/18/11	450,000.0000	\$488,335.95	\$475,452.00	Government Obligations	AAA	AAA
Cutwater	FFCB GLBL BDS 2.000% 1/17/12	1,000,000.0000	\$1,003,310.00	\$1,017,810.00	Government Obligations	AAA	AAA
Chandler	FHLB 3.875% 6/14/13	250,000.0000	\$247,290.00	\$266,095.00	Government Obligations	AAA	AAA
Cutwater	FHLB BDS 1.125% 6/03/11	1,000,000.0000	\$992,656.20	\$1,005,310.00	Government Obligations	AAA	AAA
Cutwater	FHLB BDS 2.000% 7/27/12	1,000,000.0000	\$1,000,000.00	\$1,003,130.00	Government Obligations		
Cutwater	FHLB BDS 2.050% 8/10/12	750,000.0000	\$757,500.00	\$761,017.50	Government Obligations		
Cutwater	FHLB BDS 3.250% 3/11/11	2,000,000.0000	\$2,001,040.00	\$2,045,620.00	Government Obligations	AAA	AAA
Chandler	FHLB BDS 3.625% 5/29/13	350,000.0000	\$342,595.40	\$370,891.50	Government Obligations	AAA	AAA
Chandler	FHLB BDS 3.625% 10/18/13	175,000.0000	\$184,985.33	\$184,954.00	Government Obligations	AAA	AAA
Chandler	FHLB BDS 4.625% 2/18/11	500,000.0000	\$531,331.00	\$515,940.00	Government Obligations	AAA	AAA
Chandler	FHLB BDS 4.875% 11/18/11	325,000.0000	\$350,857.65	\$344,704.75	Government Obligations	AAA	AAA
Cutwater	FHLB BDS S/U 1.500% 8/24/12	500,000.0000	\$500,000.00	\$501,095.00	Government Obligations		
Chandler	FHLMC 4.500% 7/15/13	675,000.0000	\$711,770.50	\$731,322.00	Government Obligations	AAA	AAA
Cutwater	FHLMC MTN 1.875% 10/15/12	1,000,000.0000	\$1,000,820.00	\$1,004,760.00	Government Obligations	AAA	AAA
Cutwater	FHLMC MTN S/U 1.750% 1/29/15	1,000,000.0000	\$999,250.00	\$1,003,710.00	Government Obligations	AAA	AAA
Chandler	FHLMC NTS 2.500% 1/07/14	600,000.0000	\$593,947.20	\$608,988.00	Government Obligations	AAA	AAA
Chandler	FHLMC NTS 3.000% 7/28/14	425,000.0000	\$430,793.08	\$435,892.75	Government Obligations	AAA	AAA
Chandler	FHLMC NTS 3.250% 2/25/11	150,000.0000	\$151,762.50	\$153,094.50	Government Obligations	AAA	AAA
Chandler	FHLMC NTS 4.500% 1/15/13	250,000.0000	\$254,817.16	\$269,297.50	Government Obligations	AAA	AAA
Chandler	FHLMC NTS 4.750% 3/05/12	275,000.0000	\$298,979.45	\$293,218.75	Government Obligations	AAA	AAA
Chandler	FHLMC NTS 5.125% 4/18/11	200,000.0000	\$210,335.20	\$208,688.00	Government Obligations	AAA	AAA
Chandler	FNMA NOTES 3.875% 7/12/13	425,000.0000	\$427,212.95	\$453,555.75	Government Obligations	AAA	AAA
Cutwater	FNMA NTS 1.850% 3/25/13	500,000.0000	\$499,330.00	\$499,530.00	Government Obligations	AAA	AAA
Chandler	FNMA NTS 2.500% 5/15/14	450,000.0000	\$442,457.55	\$455,202.00	Government Obligations	AAA	AAA
Chandler	FNMA NTS 2.625% 11/20/14	125,000.0000	\$125,219.13	\$126,055.00	Government Obligations	AAA	AAA
Chandler	FNMA NTS 2.875% 12/11/13	550,000.0000	\$554,188.25	\$566,500.00	Government Obligations	AAA	AAA
Chandler	FNMA NTS 3.625% 2/12/13	150,000.0000	\$148,160.85	\$158,296.50	Government Obligations	AAA	AAA
Chandler	FNMA NTS 3.625% 8/15/11	400,000.0000	\$419,114.80	\$414,752.00	Government Obligations	AAA	AAA
Chandler	FNMA NTS 5.000% 2/16/12	150,000.0000	\$163,994.25	\$160,453.50	Government Obligations	AAA	AAA
Cutwater	FNMA NTS 6.000% 5/15/11	850,000.0000	\$895,636.50	\$897,812.50	Government Obligations	AAA	AAA
Chandler	FNMA NTS 6.000% 5/15/11	235,000.0000	\$241,803.25	\$248,218.75	Government Obligations	AAA	AAA

**First 5 Alameda County  
Investment Holdings  
As of April 30, 2010**

<u>Holder</u>	<u>Asset Name</u>	<u>Shares / Units</u>	<u>Cost Basis</u>	<u>Market Value</u>	<u>Asset Type</u>	<u>S&amp;P Rating</u>	<u>Moody's Rating</u>
Cutwater	FNMA NTS S/U 1.000% 1/29/13	750,000.0000	\$750,000.00	\$750,232.50	Government Obligations		
Cutwater	FNMA NTS S/U 2.000% 1/15/15	1,000,000.0000	\$1,000,000.00	\$1,003,130.00	Government Obligations		
Cutwater	FNMA NTS S/U 2.250% 3/30/15	1,000,000.0000	\$999,750.00	\$1,003,440.00	Government Obligations	AAA	AAA
Cutwater	G E CAP CORP MTN 5.250% 10/19/12	1,000,000.0000	\$1,029,100.00	\$1,077,460.00	Corporate Obligations	AA+	AA2
Chandler	GECC FDIC TLGP 2.125% 12/21/12	520,000.0000	\$520,494.00	\$529,131.20	Corporate Obligations	AAA	AAA
Chandler	GECC NTS 5.900% 5/13/14	240,000.0000	\$254,571.10	\$265,718.40	Corporate Obligations	AA+	AA2
Chandler	GENL DYNAMICS CORP 4.500% 8/15/10	160,000.0000	\$163,561.60	\$161,744.00	Corporate Obligations	A	A2
Chandler	GNR 2004-61-VA 5.000% 5/16/10	1,350.9600	\$1,334.92	\$1,351.11	Government Obligations	N/A	N/A
Cutwater	GOLDMAN SACHS 6.875% 1/15/11	120,000.0000	\$125,967.60	\$124,240.80	Corporate Obligations	A	A1
Chandler	GOLDMAN SACHS GR BDS 3.250% 6/15/12	490,000.0000	\$498,407.98	\$511,466.90	Corporate Obligations	AAA	AAA
Chandler	GOLDMAN SACHS GR NTS 6.000% 5/01/14	165,000.0000	\$181,843.20	\$177,493.80	Corporate Obligations	A	A1
Chandler	HEWLETT PACKARD CO 4.750% 6/02/14	160,000.0000	\$173,243.30	\$174,446.40	Corporate Obligations	A	A2
Cutwater	HIGHMARK 100% US TREASURY MONEY MKT	253,580.2300	\$253,580.23	\$253,580.23	Cash & Cash Equivalents		
Chandler	HIGHMARK 100% US TREASURY MONEY MKT	253,657.0000	\$253,657.00	\$253,657.00	Cash & Cash Equivalents		
Chandler	IBM CORP 2.100% 5/06/13	170,000.0000	\$171,132.20	\$171,836.00	Corporate Obligations	A+	A1
Chandler	JPMORGAN CHASE & CO 2.125% 12/26/12	515,000.0000	\$507,922.36	\$524,094.90	Corporate Obligations	AAA	AAA
Chandler	JPMORGAN CHASE SR NT 3.700% 1/20/15	175,000.0000	\$176,967.10	\$178,580.50	Corporate Obligations	A+	AA3
Cutwater	MICROSOFT CORP NT 2.950% 6/01/14	250,000.0000	\$254,537.50	\$256,870.00	Corporate Obligations	AAA	AAA
Cutwater	NATL CTY BK KEN NTS 6.300% 2/15/11	125,000.0000	\$128,517.50	\$128,380.00	Corporate Obligations	A	A2
Chandler	NORTHERN TR NTS 4.625% 5/01/14	165,000.0000	\$178,330.35	\$176,418.00	Corporate Obligations	AA-	A1
Chandler	PHILLIPS PETE 8.750% 5/25/10	145,000.0000	\$159,990.10	\$145,693.10	Corporate Obligations	A	A1
Chandler	PNC FDG CORP NTS 2.300% 6/22/12	515,000.0000	\$523,018.55	\$527,627.80	Corporate Obligations	AAA	AAA
Chandler	PROCTER & GAMBLE SR 4.600% 1/15/14	165,000.0000	\$178,399.65	\$178,596.00	Corporate Obligations	AA-	AA3
Chandler	TENN VY AUTH SER A 6.790% 5/23/12	475,000.0000	\$517,656.75	\$529,354.25	Government Obligations	AAA	AAA
Chandler	TVA SER C 4.750% 8/01/13	600,000.0000	\$638,422.85	\$654,660.00	Government Obligations	AAA	AAA
Chandler	U S TREAS NTS 3.375% 11/30/12	450,000.0000	\$451,371.09	\$474,471.00	Government Obligations	AAA	AAA
Cutwater	U S TREAS NTS 4.750% 3/31/11	1,370,000.0000	\$1,358,147.67	\$1,423,676.60	Government Obligations	AAA	AAA
Chandler	U S TREAS NTS 4.750% 3/31/11	200,000.0000	\$197,492.19	\$207,836.00	Government Obligations	AAA	AAA
Chandler	US BANCORP MTN 2.250% 3/13/12	510,000.0000	\$516,846.75	\$520,434.60	Corporate Obligations	AAA	AAA
Cutwater	US TREAS NTS 0.875% 2/29/12	500,000.0000	\$499,218.75	\$499,865.00	Government Obligations	AAA	AAA
Cutwater	US TREAS NTS 1.000% 7/31/11	750,000.0000	\$746,894.53	\$754,042.50	Government Obligations	AAA	AAA
Cutwater	US TREAS NTS 1.375% 3/15/13	500,000.0000	\$498,125.00	\$498,945.00	Government Obligations	AAA	AAA
Chandler	US TREAS NTS 2.500% 3/31/13	100,000.0000	\$102,523.77	\$103,063.00	Government Obligations	AAA	AAA
Chandler	US TREAS NTS 4.375% 12/15/10	75,000.0000	\$76,604.49	\$76,881.00	Government Obligations	AAA	AAA
Chandler	US TREAS NTS 4.500% 4/30/12	300,000.0000	\$298,804.69	\$321,093.00	Government Obligations	AAA	AAA
Chandler	US TREAS NTS 4.750% 5/31/12	400,000.0000	\$395,937.51	\$430,876.00	Government Obligations	AAA	AAA
Cutwater	US TREAS NTS 4.875% 7/31/11	550,000.0000	\$556,412.10	\$579,606.50	Government Obligations	AAA	AAA
Cutwater	US TREAS NTS 5.000% 2/15/11	1,000,000.0000	\$1,025,273.44	\$1,036,210.00	Government Obligations	AAA	AAA
Chandler	WAL-MART STORES 4.125% 7/01/10	250,000.0000	\$252,412.50	\$251,172.50	Corporate Obligations	AA	AA2
Chandler	WELLS FARGO & CO 2.125% 6/15/12	515,000.0000	\$518,866.62	\$525,835.60	Corporate Obligations	AAA	AAA
Chandler	WELLS FARGO BK SUB 4.750% 2/09/15	175,000.0000	\$182,084.00	\$182,973.00	Corporate Obligations	AA-	AA3

**Total Holdings**

**\$40,867,380.96    \$41,428,644.09**



To: First 5 Alameda County Commission  
From: Janis Burger, Deputy Director  
Date: June 24, 2010  
Subject: FY 2010-11 Strategic Plan Review

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**REQUESTED ACTION**

Review and approve the FY 2010-11 Strategic Plan.

**BACKGROUND**

The FY 2009-2013 First 5 Alameda County Strategic Plan must have an annual review by the Commission prior to the release of state funds for FY 2010-2011. Since the Commission is currently discussing program changes to become effective FY 2011-2012, no changes are being proposed to the Strategic Plan for FY 2010-2011.

**FISCAL IMPACT**

There is no fiscal impact.

**RECOMMENDATION**

That the Commission approve the FY 2010-11 Strategic Plan.

Submitted by:

Reviewed by:

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Janis Burger  
Deputy Director

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Mark Friedman  
Chief Executive Officer



**To:** First 5 Alameda County Commission

**From:** Mark Friedman, CEO  
Janis Burger

**Date:** June 24, 2010

**Subject:** Proposed Budget Reductions for FY 2011-2013

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#### REQUESTED ACTION

To approve recommendations for FY 2011-2013 budget reductions to address the First 5 declining revenue.

#### BACKGROUND

The First 5 Alameda County (F5AC) Commissions held a retreat on April 30<sup>th</sup> 2010 to discuss the anticipated reductions in First 5 revenue and how the Commission can plan for the reduction in a systematic and thoughtful way. Several factors including the SCHIP 60 cents tobacco and the recession have contributed to a faster decline than anticipated. As a result F5AC Commission must make a 17% reduction for FY 2011-2013, the second two years of our FY 2009-2013 strategic plan. At the end of the retreat, the Commission asked staff to bring back preliminary recommendations for the 17% program reduction in June with final recommendations in September, without adopting a long term framework. Commissioners and staff felt it was important to give contractors and staff adequate time to prepare for reductions. In preparation for the September meeting, F5AC staff will hold several program committee meetings to get community input into the program reductions.

#### FISCAL IMPACT

The fiscal impact of the proposed recommendations is a \$3,700,000 reduction in expenses or 17 % of the F5AC program budget.

#### RECOMMENDATION

To approve the general categories of proposed reductions which will be brought back to the September commission meeting with greater detail in terms of specific programs cuts and staff positions.

Submitted by:

Reviewed by:

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Mark Friedman  
Chief Executive Officer

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Janis Burger  
Deputy Director



**PROPOSED BUDGET REDUCTIONS FOR 2011-13**

**Previous cost savings of \$606,153 ready been achieved by**

- Eliminating 1.0 FTE Controller position - \$145,778
- Reducing 0.5 FTE Quality Counts Manager - \$55,636
- Reducing 0.5 FTE ECE Administrator - \$66,467
- Temporary reduction 0.5 FTE ECE Program Services Administrative Assistant – \$35,331
- No COLAs - \$145,000
- Reducing professional development and training by 50% - \$21,941
- Eliminating of Tools & Technology benefit - \$33,000
- IT hosting transition - \$103,000

In addition, between 5-20% in program reductions were made in 2009-10.

Per Commission direction, we recommend the following 17% reductions to 2011-13 expense budget based on the revised Long Range Financial Plan. These reductions include F5AC personnel and programmatic costs.

PROGRAM AREA	2010-11 BUDGET	PROPOSED REDUCTION	2011-12 BUDGET	REDUCTION	COMMENTS
<b>Early Care &amp; Education</b>	6,205,147	1,177,405	5,027,742	18.97%	
College and University Degrees		713,500			Focus the majority of investments in this area on AA degree attainment which is a bottleneck for many ECE providers. Develop more efficient, proven effective student learning models, e.g. cohorts, to increase number of providers earning their degree. Increased college flexibility to address specific challenges. Emphasis on tracking student outcomes. Additional funds likely will be available through State Commission's CARES Plus program.
Community Based Quality Improvement & Professional Development System		341,888			Focus on consolidation and further integration of training strategies.
Capital Grants		122,017			Some decrease in either size or number of grants. Increased focus on providing community capacity building.

Family Support Services					
Home-Based Family Support	8,295,044	1,496,587	6,798,457	18.04%	There is potential for funding from Federal Home Visiting other Federal Funding streams such as Early Head Start and WIC lactation services. The funding for integration of a multidisciplinary focus within home visitation programs is essential. Adequate sustainability of these services need to be shared by the social safety net.

Community Grants					
	3,198,284	789,161	2,409,123	24.67%	Less evidence of impact and play lesser role to an integrated system. Grants program will be re-structured to accommodate decreased funding.

Support Strategies					
Cultural Access Services/Training/Other Contracts	5,494,328	603,099	4,891,229	10.98%	Systems have been established to continue the work along with funding from Federal Grants.

<b>TOTAL PROGRAM REDUCTIONS</b>	<b>23,192,803</b>	<b>4,066,252</b>	<b>19,126,551</b>	<b>17.53%</b>	
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<b>Eval Tech/Admin Reductions</b>	<b>2,991,212</b>	<b>178,478</b>	<b>2,812,734</b>	<b>5.97%</b>	
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<b>TOTAL REDUCTIONS</b>	<b>26,184,015</b>	<b>4,244,730</b>	<b>21,939,285</b>	<b>16.21%</b>	
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**To:** First 5 Alameda County Commission

**From:** Mark Friedman, CEO

**Date:** June 22, 2010

**Subject:** Bridge Loan Program for Early Care and Education Facilities

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#### REQUESTED ACTION

To review the proposal to establish a pool of funds for bridge loans to help state funded Early Care and Education (ECE) facilities that may be in jeopardy of closing if the state budget is delayed.

#### BACKGROUND

In recent years the passage of the state budget has been delayed for periods of a few weeks to a few months. With a sizable projected state government budget gap and the added challenge of an election year the budget may be delayed even longer than usual.

The added crisis for our state funded ECE providers is that in the Governor's May budget revise he proposed the elimination of Calworks and other state funded child care programs. Both the Assembly and Senate budget committees have rejected the Governor's proposal for child care and many other of his proposed cuts to education, health and human services programs. Also Assembly Speaker Perez had a press conference last week where he specifically said that the projected child care cuts would not be part of any budget deal.

The Low Income Investment Fund (LIIF) will administer the loan program. They have administered our Quality Improvement Initiative (QII) and Facility Grants programs for five years and our bridge loan program in 2008 and have been an effective and efficient partner. They have the infrastructure and contract mechanism in place to add this bridge loan program and are proposing to charge \$25,000. Due to a recent memo from the State Department of Education we know that fees and interest charged to those receiving loans will be reimbursable by the state. We propose charging an appropriate amount to recover our costs for LIIF and whatever we might lose by having to prematurely liquidate assets in our Sustainability Fund. In our previous experience all loan recipients promptly paid back the funds they had been advanced.

In discussing this issue with the Executive Committee there was support for moving forward with a bridge loan program with the following conditions:

- That agencies demonstrate long term stability so we are assured that the agency will be able to pay back the grants as soon as the state budget is passed and they receive the state money they are due.

- That agencies first access whatever lines of credit or reserve funds they have available to weather a delay in state reimbursement. This will allow us to use our funds to maintain maximum services for children in agencies that have fewer funding options.
- That all money we advance will be only for services to children from birth to age 5.
- Due to the possibility, but not the likelihood, that the final state budget will eliminate state funds for child care, as proposed by the Governor we will have to have either collateral and/or other assurances that the money will be paid. We cannot afford to turn these loans into grants.

Given the likelihood that some agencies will not have an immediate need for our funds due to their existing reserves or lines of credit, we propose an initial allocation of \$2 million dollars to LIIF for this bridge loan program to be transferred only when needed. If the state budget is delayed into the fall and we are extremely confident that there will not be significant cuts to child care then an additional allocation of up to \$2 million is proposed.

Also, we plan to work with our partner agencies including the Child Care Planning Council to encourage local banks and financial institutions to step up and participate in making loans to agencies that will be negatively impacted by state budget adoption delays.

**FISCAL IMPACT**

The 2010-2011 budget would have a potential initial expense of \$2,025,000 to \$4,025,000 in additional funds including the LIIF fees. This will be offset by \$4,025,000 in additional revenue when the loans are repaid. However, due to First 5 Alameda County’s cash flow situation, we would need to sell portions of our investment portfolio. If the loan is repaid, we will be able to recoup fees plus lost interest from early disposal of investments. If the loan is not repaid, there would be a decrease in our sustainability fund.

Our additional expense would include approximately \$20,000 in lost return on investment for the funds removed from Sustainability Fund. Thus our expenses and receivables would both increase for FY 2010-11.

**RECOMMENDATION**

That the Commission approve moving forward on the establishment of bridge loan program for ECE facilities by contracting with the Low Income Investment Fund (LIIF) and allocating up to \$2,025,000 for the pool of available funds, with the possibility of an additional \$2,000,000 if the state budget is delayed into the fall and we are assured that the budget will include the necessary funds for child care that will allow prompt repayment.

Submitted by:

Reviewed by:

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Mark Friedman,  
Chief Executive Officer

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Patricia Zapanta,  
Director of Administration and Finance



**To:** First 5 Alameda County Commission  
**From:** Patricia Zapanta, Director, Finance & Administration  
**Date:** June 24, 2010  
**Subject:** Long Range Financial Plan Recommendation

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#### **ACTION REQUESTED**

To review and approve the Long Range Financial Plan recommendation.

#### **BACKGROUND**

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

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 approximately \$50,000,000 and 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 by the Commission to the Sustainability Fund rather than rolling to the subsequent year's budget (2001-present). It is important to note that Sustainability Funds have been budgeted for program use since 2005-06 (which means that Expenses have been projected higher than Revenues) but budget savings in those years made it unnecessary to draw from the Fund. During the last two fiscal years, First 5 Alameda County has drawn from the Fund due to actual expenditures exceeding the projected revenues. In 2007-08 and 2008-09, \$177,563 and \$3,502,634 were drawn from the Sustainability Fund, respectively.

## THE LONG RANGE FINANCIAL PLAN AND THE STRATEGIC PLAN

The purpose of the Long Range Financial Plan is to outline the use of the Sustainability Fund over time, and to use the Fund to maintain program spending even as the tobacco tax declines.

First 5 Alameda County is in its second year of the 2009-2013 Strategic Plan. The current Long Range Financial Plan was approved in June 2009 in which the Commission approved the “slope” scenario which enables a more systematic scaling back of program, evaluation and administrative costs, and stretches the Sustainability Fund. Under this scenario, 20% reductions in program expenditures would be made at the beginning of each two-year budget cycle as well as periodic reductions in evaluation and administrative costs.

### ASSUMPTIONS

Presented below are the assumptions used to develop the LRFP projection. This projection is intended to show a reasonable approach to spending down the fund balance and to respond to a reduction in ongoing funding.

The yellow column on the LRFP projection represents actual historical financial information. The blue columns represent the years included in the board’s LRFP. The purple columns represent years projected beyond the board’s LRFP. 2009-10 and 2010-11 amounts are budgeted amounts from the 2010-11 Budget Proposal-Final Adoption presented to the Board on May 27, 2010. 2011-12 to 2018-19 amounts are projected amounts based on the assumptions described below.

### Receipts

***Tobacco Tax***– The California Department of Finance (DOF) prepared revised projections of First 5 tobacco tax revenues in February 2009 that take into account effects of the new federal tobacco tax, other declines in state tobacco tax revenues (such as those due to general economic conditions), Prop 99 backfill amounts and other factors. The DOF projections for Alameda County show expected drops of 5.3% in 2010-11, 4.6% in 2011-12 and 4.55% in 2012-13. Annual declines in tobacco tax revenues through 2012-13 were built into the Long Range Financial Plan projection based on DOF estimates. Starting in 2013-14, the annual rate of decline was reduced to 2.5% because of historical experience that reductions in tobacco tax collections do not continue at a steep rate of decline but instead “flatten out” within four to five years.

***School Readiness*** - State School Readiness matching funds are scheduled to end in 2009-10. It is assumed that no further funding from First 5 California will be made available in Alameda County.

***CARES***– CARES state matching funds ended in 2008-09.

**AB212** – AB212 funds from the Alameda County Child Care Planning Council for training of school age providers will not be funded for 2010-11. It is assumed that these funds will not be provided in future years.

**Interagency Income** – The Substance Abuse Mental Health Services Administration (SAMHSA) Project LAUNCH federal grant for a place-based strategy designed to promote the healthy development of young children within the targeted East Oakland community from Alameda County Public Health Department (PHD) was committed for \$608,237 per year ending September 30, 2014.

PHD also committed \$99,020 from Alameda County Behavioral Health Care Services for 50% share of costs for a Children's Screening, Assessment, Referral, Treatment (SART) Child Development position. This grant continues through 2010-11.

The SAMHSA Early Connections federal grant creates an infrastructure for a system of care for children ages 0-5 and their families. The Alameda County Behavioral Health Care Services committed \$242,854. This grant continues through September 30, 2015.

State AB212 funds from the General Services Agency Child Care Planning Council have been committed for \$48,000 for 2010-11.

**Fiscal Leveraging** – Fiscal leveraging revenues consist of federal reimbursements under the Medi-Cal Administrative Activities (MAA) program. Targeted Case Management (TCM) claiming has been shifted to Children's Hospital Oakland. Since MAA claiming is related to the programs being conducted by F5AC and performed by F5AC staff and consultants, it is assumed that revenue for MAA claiming will decline at the same rate as the decline in total disbursements. Title IV-E funds of \$8,000 is committed for 2010-11 but not in future years as future funding is uncertain.

**Federal Grants** – A Federal grant of \$500,000 per year for 2009-10 and 2010-11 was received directly by F5AC from the Screening Assessment Referral and Treatment program. The 2010-11 budget of \$485,798 includes \$246,338 remaining on the 2009-10 grant and \$239,460 from the 2010-11 grant. The 2011-12 budget represents the remaining \$260,540 anticipated to be spent of the 2010-11 grant.

**Private Grants** - The Long Foundation provided a grant of approximately \$1.8 million to expand the Summer Pre-K to new sites. It covers portions of First 5 staff, child development services, and school district contracts. The grant is anticipated to be funded as follows: 2009-10 - \$53,300, 2010-11 - \$154,561, 2011-2012 - \$310,000, 2012-2013 - \$400,000, 2013-14 \$450,000, 2014-15 \$475,000.

**Other** – Other revenues in 2009-10 consist of a \$120,600 grant in support of the Contra Costa Hospital Outreach program. No other grants are projected. If any new grants are awarded, the Long Range Financial Plan will be revised at that time to incorporate the effects of those grants.

**Investment Income** – The 2009-10 budget estimates investment income to be earned at a rate of approximately 2.3% of the beginning fund balance. To be conservative and to reflect the

sustained low interest rates of recent years, investment income is estimated to be 2% of the beginning fund balance for all future years.

### **Disbursements**

Total disbursements are reduced in the amount of the interagency income in the years those grants are projected to end. All other disbursements are then reduced by 17% at the beginning of each two-year budget cycle for the rest of the period covered by the Long Range Financial Plan projection, with the goals of (1) reaching a level of disbursements equal to projected receipts by 2017-18 and (2) utilizing existing fund balance down to the minimum level needed for operations (as defined in the following section).

Projected disbursements will exceed receipt of funds and require F5AC to utilize funds from the Sustainability Fund.

### **Minimum Fund Balance Requirements**

The fund balance 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. We recommend that, at a minimum, the fund balance be maintained at an amount equal to six months of annual expected disbursements.

### **FISCAL IMPACT**

There is no fiscal impact.

### **RECOMMENDATION**

To review and approve the Long Range Financial Plan recommendation.

Submitted by:

\_\_\_\_\_  
Patricia Zapanta, Director,  
Finance & Administration

Reviewed by:

\_\_\_\_\_  
Mark Friedman, Chief Executive Officer

First 5 Alameda County  
 Long Range Financial Plan  
 Dollars in Thousands

	Actual	Strategic Plan 2009-13					Projected				
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
<b>Beginning Fund Balance</b>	\$ 53,631.2	\$50,130.8	\$ 43,148.3	\$ 33,973.8	\$ 28,113.1	\$ 21,357.1	\$ 17,821.2	\$ 13,917.3	\$ 12,104.0	\$ 9,959.0	\$ 9,847.4
<b>Receipts</b>											
Tobacco Tax	15,938.8	14,000.0	14,000.0	13,356.0	12,748.3	12,429.6	12,118.9	11,815.9	11,520.5	11,232.5	10,951.7
School Readiness	1,537.0	2,179.7	-	-	-	-	-	-	-	-	-
CARES	388.3	-	-	-	-	-	-	-	-	-	-
AB212	927.1	986.3	-	-	-	-	-	-	-	-	-
Interagency Income	306.7	1,239.6	998.1	851.1	851.1	851.1	242.9	-	-	-	-
Fiscal Leveraging	225.0	350.0	508.0	415.0	415.0	344.5	332.8	270.7	270.7	224.7	224.7
Federal Grants	141.8	597.6	485.8	260.5	-	-	-	-	-	-	-
Private Grant - Long Foundation	-	-	154.6	310.0	400.0	450.0	475.0	-	-	-	-
Other	15.4	120.6	-	-	-	-	-	-	-	-	-
Investment Income	2,326.9	1,125.0	863.0	679.5	562.3	427.1	356.4	278.3	242.1	199.2	196.9
<b>Total Receipts</b>	<b>21,807.0</b>	<b>20,598.8</b>	<b>17,009.5</b>	<b>15,872.1</b>	<b>14,976.7</b>	<b>14,502.3</b>	<b>13,526.0</b>	<b>12,365.0</b>	<b>12,033.3</b>	<b>11,656.4</b>	<b>11,373.3</b>
<b>Disbursements</b>											
Programs	22,393.5	24,512.0	23,192.7	19,249.9	19,249.9	15,977.5	15,399.1	12,549.2	12,549.2	10,415.9	10,415.9
Evaluation & Technology	1,227.2	1,346.8	1,340.7	1,112.8	1,112.8	923.6	903.5	739.0	739.0	613.4	613.4
Administration	1,686.7	1,722.5	1,650.6	1,370.0	1,370.0	1,137.1	1,127.4	890.0	890.0	738.7	738.7
<b>Total Disbursements</b>	<b>25,307.4</b>	<b>27,581.3</b>	<b>26,184.0</b>	<b>21,732.7</b>	<b>21,732.7</b>	<b>18,038.2</b>	<b>17,430.0</b>	<b>14,178.3</b>	<b>14,178.3</b>	<b>11,768.0</b>	<b>11,768.0</b>
<b>Excess of Receipts over Disbursements</b>	<b>(3,500.4)</b>	<b>(6,982.5)</b>	<b>(9,174.5)</b>	<b>(5,860.6)</b>	<b>(6,756.1)</b>	<b>(3,535.9)</b>	<b>(3,903.9)</b>	<b>(1,813.3)</b>	<b>(2,145.0)</b>	<b>(111.6)</b>	<b>(394.6)</b>
<b>Ending Fund Balance</b>	<b>\$ 50,130.8</b>	<b>\$43,148.3</b>	<b>\$ 33,973.8</b>	<b>\$ 28,113.1</b>	<b>\$ 21,357.1</b>	<b>\$ 17,821.2</b>	<b>\$ 13,917.3</b>	<b>\$ 12,104.0</b>	<b>\$ 9,959.0</b>	<b>\$ 9,847.4</b>	<b>\$ 9,452.8</b>
<b>Minimum Fund Balance Requirements (50% of annual disbursements)</b>				10,866.4	10,866.4	9,019.1	8,715.0	7,089.1	7,089.1	5,884.0	5,884.0
<b>Ending Fund Balance:</b>											
Committed for Stabilization	\$ 44,246.8	\$ 37,264.3	\$ 28,089.8	\$ 22,229.1	\$ 15,473.1	\$ 11,937.2	\$ 8,033.3	\$ 6,220.0	\$ 4,075.0	\$ 3,963.5	\$ 3,568.8
Reduction in Workforce Policy Available	5,884.0	5,884.0	4,884.0	5,884.0	5,884.0	5,884.0	5,884.0	5,884.0	5,884.0	5,884.0	5,884.0
Total Ending Fund Balance	<u>\$ 50,130.8</u>	<u>\$ 43,148.3</u>	<u>\$ 33,973.8</u>	<u>\$ 28,113.1</u>	<u>\$ 21,357.1</u>	<u>\$ 17,821.2</u>	<u>\$ 13,917.3</u>	<u>\$ 12,104.0</u>	<u>\$ 9,959.0</u>	<u>\$ 9,847.4</u>	<u>\$ 9,452.8</u>

\* - We request the Executive Committee's guidance on the presentation of this line item to the Commission.



To: First 5 Alameda County Commission  
From: Patricia Zapanta, Finance and Administration Director  
Date: June 24, 2010  
Subject: Fund Balance Commitment

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#### REQUESTED ACTION

To review and approve the commitment of sustainability funds.

#### 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. First 5 Alameda County (F5AC) has approximately \$50 million net assets as of June 30, 2009 (please see Statement of Net Assets attached.)

The Governmental Accounting Standards Board recently 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.

F5AC's sustainability fund or stabilization fund currently meets the definition of "Assigned" as defined in GASB 45. 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 simple Commission action stating what the stabilization funds must be used for.

#### PROPOSED ACTION TO "COMMIT" FUND BALANCE

Motion: To accept staff's recommendation to "commit" \$31,000,000 of net assets for budget stabilization in accordance with the Long Term Financial Plan adopted by the Commission on

June 24, 2010. These 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 Term Financial Plan. They can only be committed to other uses by majority vote of the Commission. These funds are not anticipated to be replenished after they are used for budget stabilization.

**FISCAL IMPACT**

There will be no fiscal impact. This important new standard will leave the total amount reported as *fund balance*, but will substantially alter the categories and terminology used to describe its components.

**RECOMMENDATION**

To review and approve the commitment of sustainability funds.

Submitted by:

Reviewed by:

\_\_\_\_\_  
Patricia Zapanta,  
Finance and Administration Director

\_\_\_\_\_  
Mark Friedman,  
Chief Executive Officer

**FIRST 5 ALAMEDA COUNTY**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2009**

**Assets:**

Cash and investments (Note 2)	\$ 50,035,289
Tobacco taxes receivable	2,781,994
Interest receivable	437,901
Other receivable	251,520
Prepaid expenses	17,240
Capital assets, net (Note 3)	<u>11,976</u>
Total assets	<u>53,535,920</u>

**Liabilities:**

Accrued payroll	208,302
Accrued vacation	318,690
Employee benefits payable	65,408
Accounts payable and accrued liabilities	<u>2,812,726</u>
Total liabilities	<u>3,405,126</u>

**Net assets:**

Invested in capital assets	11,976
Unrestricted	<u>50,118,818</u>
Total net assets	<u>\$ 50,130,794</u>

The accompanying notes are an integral part of these financial statements



**To:** First 5 Alameda County Commission  
**From:** Patricia Zapanta, Finance and Administration Director  
**Date:** June 24, 2010  
**Subject:** Contract Authorizations

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**REQUESTED ACTION**

To review and approve the following contract authorizations.

**BACKGROUND**

Per our Financial Policies, Section VII, the Commission must approve contract amounts in excess of \$25,000. The following contracts require specific authorization from the Commission.

**INTERACTIVE PARENTING MEDIA (CHILDHOOD MATTERS) -\$282,726 REGIONAL CONTRACT (F5AC'S CONTRIBUTION IS \$75,000)**

First 5 Alameda County has offered to hold the regional contract with Interactive Parenting Media to continue the production and broadcast of Childhood Matters and Nuestros Niño's parenting radio shows (2009-13 Strategic Plan, page 11). The regional contract includes 8 other First 5 Commissions in an effort to consolidate and streamline performance and reporting requirements. The First 5 Commissions participating in the FY 2010-11 contract are as follows:

<b>FIRST 5 COUNTY COMMISSION</b>	<b>AMOUNT</b>
First 5 Alameda	\$75,000
First 5 Contra Costa	\$60,000
First 5 Marin	\$15,000
First 5 Monterey	\$65,226
First 5 San Francisco	\$7,500
First 5 San Mateo	\$25,000
First 5 Santa Clara	\$15,000
First 5 Santa Cruz	\$5,000
First 5 Sonoma	\$15,000

We are also requesting approval of agreements with each of the participating First 5 County Commissions in order to contract with and receive funds from them. F5AC is neither requesting nor receiving an administrative fee for administering the regional contract.

**FISCAL IMPACT:** None. First 5 Alameda County’s \$75,000 contribution to the regional contract is budgeted. Revenue from the other participating county commissions will be used towards the regional contract and offset expenses.

**RECOMMENDATION:** Approve a contract of \$282,726 with Interactive Parenting Media for FY 2010-11 and additional agreements with the First 5 Commissions listed above at the stated amounts.

**JEWISH FAMILY & CHILDREN’S SERVICES (JFCS) - \$140,000**

We are requesting approval of a FY 2010-11 contract in the amount of \$140,000 with Jewish Family & Children’s Services to expand mental health consultation services to early care and education sites in East Oakland to reach a minimum of 100 children as part of the Project LAUNCH federal grant (2009-13 Strategic Plan, page 14). JFCS will function as one component of the Project LAUNCH integrated service delivery model and help to develop greater expertise and a more consistent approach, based on best practices, to prevention and early intervention in the early care and education environment. JFCS currently has a FY 2009-11 contract in the amount of \$120,000 to provide mental health consultation services to 10 preschools in Alameda County and a FY 2009-11 community grant in the amount of \$112,493 to provide mental health services to mothers at a residential recovery house and emergency shelters . **(The addition of this contract brings the aggregate contract amount to \$372,493 for which Commission approval is needed.)**

**FISCAL IMPACT:** None. All funds are budgeted and will be received from the Project LAUNCH federal grant.

**ACTION REQUESTED:** Approve an aggregate contract amount of \$372,493 for Jewish Family & Children’s Services for FY 2009-11.

The last three contract authorizations were approved by the Commission at the May 27 meeting as part of the FY 2010-11 budget – final reading. Each of the contracts has since undergone revisions and minor fiscal augmentations for which Commission re-authorization is needed.

**ALAMEDA COUNTY PUBLIC HEALTH DEPARTMENT - \$22,000**

We are requesting approval of a FY 2010-11 contract in the amount of \$22,000 with Alameda County Public Health Department to support the Assuring Better Child Health and Development (ABCD) program in various Child Health Disability and Prevention (CHDP) provider sites within the county (2009-13 Strategic Plan, page 10). The ABCD program assists pediatric sites to improve early child development services for children and their families by integrating the Ages & Stages Questionnaire (ASQ), a general standardized developmental screening tool, with anticipatory guidance offered during well-child care in the medical home. This contract funding provides match funding to leverage County and CHDP dollars. **(The addition of this contract brings the aggregate contract amount to \*\$1,000,576.91 for which Commission approval is needed.)**

**FISCAL IMPACT:** None. All funds are budgeted.

**ACTION REQUESTED:** Approve an aggregate FY 2010-11 contract amount of \$1,000,576.91 for the Alameda County Public Health Department.

\* ACPHD has a FY 2009-11 contract for Asthma Start services (\$62,500/yr) and FY 2010-11 contracts for Your Family Counts (\$716,076.91), Office of Dental Health (\$75,000) and SART Phone Line (\$125,000).

**FAMILY RESOURCE NETWORK (FRN) – \$183,520**

We are requesting approval of a contract for FY 2010-11 in the amount of \$183,520 with Family Resource Network to provide Children’s SART services, including Family Navigation and Community Support Services (i.e. support groups for families of children with special needs, individualized parent-to-parent support, consultation to providers, etc.) (2009-13 Strategic Plan, page 13). Family Resource Network has expertise navigating all three entitlement systems for children with special needs: the Regional Center, the SELPA/School Districts, and California Children’s Services as well as staffing and expertise in providing parent-to-parent support for families of children with special needs. FRN currently has a \$20,000 FY 2009-11 contract to provide policy and systems coordination with the entitlement systems for children with special needs **(The addition of this contract brings the aggregate contract amount to \$203,520 for which Commission approval is needed.)**

**Fiscal Impact:** None. All funds are budgeted.

**Action Requested:** Approve an aggregate FY 2009-11 contract amount of \$203,520 for Family Resource Network (fiscal agent Bananas).

**LAS POSITAS COLLEGE - \$294,000**

We are requesting approval of a FY2010-11 contract with Las Positas College in the amount of \$294,000 to continue providing professional development services to early care and education providers in the East County area. Services include systems enhancement and support of the Child Development Corps AA Degree, Enhanced Mentor and English Language Learner programs (2009-13 Strategic Plan, page 10).

**Fiscal Impact:** None. All funds are budgeted.

**Action Requested:** Approve a FY 2010-11 contract amount of \$294,000 for Las Positas College.

Submitted by:

Reviewed by:

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Patricia Zapanta,  
Finance and Administration Director

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Mark Friedman,  
Chief Executive Officer