

**Agenda Item 14**  
**July 6, 2016****DATE:** June 28, 2016**TO:** Children and Families Commission of Orange County**FROM:** Kimberly Goll, Executive Director**ACTION:** Receive the Executive Officer's Report**A. Financial Highlights**

The financial highlights as of May 31, 2016 are included as Attachment 1.

**B. Government Finance Officers Association (GFOA) Recognition**

The Government Finance Officers Association (GFOA) recently awarded the Commission with a Certificate of Achievement for Excellence in Financial Reporting for the Comprehensive Annual Financial Report (CAFR). The Commission's Finance Manager, Michael Garcell, CPA led the preparation of the CAFR. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting. This is the seventh year the Commission has received this recognition under Michael's leadership.

**C. Monthly Strategic Communications Report**

Curt Pringle & Associates provides strategic communications services in the areas of legislative advocacy, community partnership, and public awareness. The Strategic Communications Activities Report for May and June 2016 are included as Attachments 2 and 3.

**D. Investment Portfolio Ladder Strategy**

Commission staff is continuing to work closely with the Treasurer's office to explore the feasibility and implementation ladder strategy. Cash projections have been run through the end of the Long-Term Financial Plan. This analysis has been provided to the Treasurer, and recommendations will be prepared for laddered investment options for the Commission's cash balances not needed in the near future. Tracking the impact of recent legislation as presented in the July agenda item 7 will also inform any investment decisions. Staff will report back to the Commission for consideration once the Treasurer has finalized options.

**E. State Annual Report Redesign**

Last month I attended the planning meeting hosted by the First 5 Association to provide input on suggested changes to the state annual report. The revisions focus on refining the categories of services county commissions report against, key partners in the delivery of services, evidence based models that are funded and reducing the duplication of data reported. The intent of the proposed changes is to streamline the information and make it more effective in communicating the impact of commission funded services from a statewide perspective. Discussion on the state annual report revision will continue throughout the calendar year with possible implementation beginning in fiscal year 2017/18.

**F. PACT (Prevent All Cigarette Trafficking) Act**

At the May 4, 2016 meeting, a member of the public requested the Commission write a letter to the Orange County representatives of the United States Congress to repeal the 2010 PACT (Prevent All Cigarette Trafficking) Act. The same member of the public requested similar action in 2013. The letter to the Orange County Congressional representatives dated October 3, 2013 is included as Attachment 4 for reference. Commission direction is requested to resubmit the letter.

**ATTACHMENTS:**

1. Financial Highlights
2. Strategic Communications Report for May 2016
3. Strategic Communications Report for June 2016
4. PACT (Prevent All Cigarette Trafficking) Letter to Congress



# Financial Highlights As of May 31, 2016

## Comparison of Budget vs. Actual Fiscal Year 2015-16 Unaudited Period Ending 5/31/16

	<b>FY 2015-16 Amended Budget</b>	<b>FY 2015-16 Actual Expenses</b>	
<b>Financing Sources</b>			
Tobacco Tax Revenue	\$24,970,738	\$19,002,612	76.1%
Interest Earnings	150,000	299,449	199.6%
Other Revenue	<u>3,120,462</u>	<u>1,463,634</u>	46.9%
<b>Revenue Total</b>	<b>\$28,241,200</b>	<b>\$20,765,695</b>	
<b>Expenses</b>			
Healthy Children	\$19,182,941	\$7,392,337	52.6%
Strong Families	2,115,165	1,396,197	66.0%
Early Learning	7,171,524	3,838,100	53.5%
Capacity Building*	<u>2,697,288</u>	<u>1,491,129</u>	52.4%
<b>Program Services</b>	<b>\$31,166,918</b>	<b>\$14,117,763</b>	
Admin. Functions**	<u>2,491,556</u>	<u>1,910,307</u>	
<b>Total Operating Exp.</b>	<b>\$33,658,474</b>	<b>\$16,028,070</b>	

\*Includes Evaluation costs of \$622,721

\*\*Administrative costs and functions are defined by State Commission guidelines (Fiscal Memo No. 05-01, dated April 14, 2006) pursuant to Chapter 284, Statutes of 2005 (AB 109). Actual Administrative expenses of \$1,910,307 and encumbrances of \$197,353 were 6.5% of the Fiscal Year 2015-16 Amended Budget of \$33,658,474 including Catalytic Round 2 expenses. Final administrative expenses are projected to be 7.2% at year end.

### **Total Encumbrances as of May 31, 2016 including multi-year contracts through FY 2016-17**

Healthy Children	\$17,156,108
Strong Families	\$704,404
Early Learning	\$10,068,633
Capacity Building	\$1,751,839
Admin. Functions	\$197,353

## Revenue and Cash Balance Update

The Commission's total Tobacco Tax Revenue through April 2016 as reported by First 5 California is \$21,237,154. Prop 10 revenues for July through April are 1.7% below the same period in the prior year. Revenue has been received through March 2016.

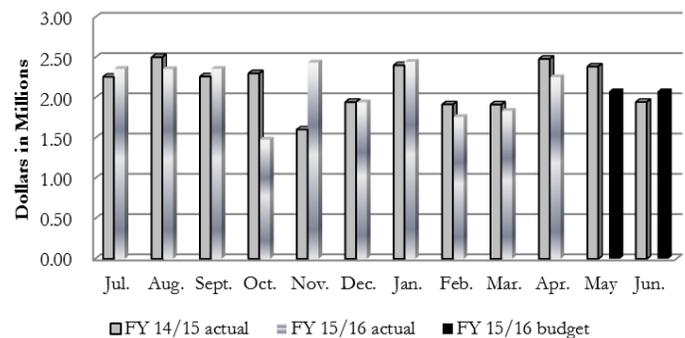
Interest earnings for July 2015 through May 2016 are \$299,449.

## Catalytic Funding Update

\$16,016,184 in Catalytic Funding was expensed during the period FY 2012-13 through FY 2014-15. Expenses booked in the current year total \$2,245,772 as of May 31, 2016.

As of March 31, 2016, \$17,556,815 was encumbered for Round 1 and Round 2 programs. Over \$12.8 million is encumbered for Children's Dental and \$2.6 million for Developmental Services.

Fiscal Year 2014-15 & 2015-16 Tobacco Monthly Revenues



## Forecasted Fiscal Year 2015-16 Ending Fund Balance

*From Commission Long Term Financial Plan*

Beginning Fund Balance, July 1, 2015	\$55,042,219
Forecasted Revenue	31,907,597
Budgeted Program Expenses	(31,166,918)
Budgeted Administrative Expenses	(2,491,556)
Catalytic Projects	<u>(39,633,816)</u>
<b>Projected June 30, 2015 Fund Balance</b>	<b>\$13,657,526*</b>

\*Based on Commission action through May 2016. Projected fund balance removes all Catalytic funding and includes an IGT transfer in FY 2015-16. For financial planning purposes, Catalytic funding has been designated by Commission action and removed from available fund balance.



**To:** Kelly Pijl, Communications and Policy Director  
Children and Families Commission of Orange County

**From:** Todd Priest, Vice President  
Curt Pringle & Associates

**Date:** May 20, 2016

**Subject:** May 2016 Strategic Communications Summary Report

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The following is a summary of activities that were provided by Curt Pringle & Associates to the Children and Families Commission of Orange County for the month of May, 2016.

### **State Legislation Update**

The Governor recently signed three bills that CP&A has been monitoring on behalf of the Commission.

#### **Tobacco License Fees - BOE Administrative Costs**

ABX2-11 increases tobacco retailer, wholesaler and disturber license fees in order to offset the current shortfall in the licensing and enforcement program, which is impacting the Commission's administrative costs.

*Status: Signed by Governor Brown on May 4, 2016*

*Effective Date: January 1, 2017*

#### **Electronic Cigarettes**

SBX2-5 broadens the definition of "tobacco product" to include e-cigarettes and require e-cigarette cartridges to be child-resistant. No anticipated change in tobacco tax revenue (General Fund and special fund). This bill does not change the definition of "tobacco product" in the Revenue and Taxation Code to include electronic cigarettes. Thus, this bill does not impact the Children and Families Trust Fund (Prop 10).

*Status: Signed by Governor Brown on May 4, 2016*

*Effective Date: January 1, 2017*

#### **Legal Age to Purchase Tobacco from 18 to 21**

SBX2-7 increases the minimum legal age to purchase or consume tobacco from 18 to 21. California follows the State of Hawaii in raising the age to 21. There is an exemption for active-duty military personnel. Potential impacts to the Children and Families Trust Fund were not identified.

*Status: Signed by Governor Brown on May 4, 2016*

*Effective Date: January 1, 2017*

NOTE: A referendum drive attempting to overturn any of these 3 pieces of Legislation would be required to collect the signatures of 365,880 registered voters within 90 days of the bill's signing, or early August, to qualify for the November 2016 ballot.

### Statewide Initiatives

- ***Tobacco Taxes*** - signatures required: 585,407 by June 13, 2016  
On May 16, proponents of the initiative claimed they had collected and submitted more than 1 million signatures for a ballot measure to raise California's cigarette tax by \$2 a pack. Signatures will now be verified by the Secretary of State's office.
- ***Childhood Sexual Abuse*** - signatures required: 365,880 by May 9, 2016  
Eliminates statute of limitations for civil actions based on childhood sexual abuse committed on or after the effective date of the measure. The Secretary of State's office has not yet announced if signatures were submitted prior to the May 9 deadline.

### **Public Awareness**

#### Local Government Briefings

Briefings are held with one city and one school district in each of the five County Supervisorial Districts in 2016. No briefings were held in May due to the Essentials Campaign. Briefings are currently being scheduled with: City of Laguna Niguel, Irvine USD, and Placentia-Yorba Linda USD.

#### 2016 Essentials Donation Drive Update

- Community Partner Luncheon at Casa Teresa Emergency Shelter in Orange featured Vikki Vargas, NBC4 Southern California Bureau Chief, Sheriff Sandra Hutchens, representatives from UPS and Casa Teresa. A program participant from Casa Teresa Emergency Shelter spoke about the impact of the drive on her family.
- *Builders for Babies* event was held at Angel Stadium and featured seven structures built entirely of diaper boxes. Over one million diapers were collected at the event.
- The *Essentials* campaign kicked off at the State Capitol with a press conference featuring Senators Galgiani, Huff and Wolk, as well as mother and child who will receive items from the donation drive. A spokesperson from VONS/Safeway also participated.
- The press conference was covered by NBC local Sacramento affiliate.
- Items continued to be picked up across the county and will be counted and sorted at the Orange County Food Bank on Saturday, May 21.
- The donation drive will wrap up with a delivery event and lunch on June 9 at 11:30 a.m. at Family Assistance Ministries in San Clemente.
- A final tally of items collected will be announced at this event and attendees will hear from a family who will benefit from the donations.



**To:** Kelly Pijl, Communications and Policy Director  
Children and Families Commission of Orange County

**From:** Todd Priest, Vice President  
Curt Pringle & Associates

**Date:** June 20, 2016

**Subject:** June 2016 Strategic Communications Summary Report

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The following is a summary of activities that were provided by Curt Pringle & Associates to the Children and Families Commission of Orange County for the month of June, 2016.

#### **State Legislation Update**

The State Legislature has approved a \$122.5 billion budget for FY 2016-17, which is expected to be signed by Governor Brown prior to the prescribed deadline of June 29, 2016. The Budget includes:

- Funding for nearly 9,000 new preschool slots over the next four years.
- Repeal of the so-called maximum family grant policy that prohibits people from receiving increased welfare income if they have more children while receiving public assistance.
- Increase subsidies for childcare providers.
- \$400 million for low income housing.
- \$2 billion into the state's rainy day fund.

#### **Statewide Initiatives**

- ***Tobacco Taxes*** - *signatures currently being verified.*  
Raise California's cigarette tax by \$2 a pack. Includes a backfill provision for Prop 10.
- ***Tax Extension to Fund Education and Healthcare*** – *signatures currently being verified*  
Extends by twelve years the temporary personal income tax increases (Prop 30) enacted in 2012 on earnings over \$250,000.
- ***Childhood Sexual Abuse*** - *failed to qualify on May 25, 2016*  
Eliminates statute of limitations for civil actions based on childhood sexual abuse committed on or after the effective date of the measure.

## **Public Awareness**

### Local Government Briefings

Briefings are held with one city and one school district in each of the five County Supervisorial District in 2016. No briefings were held in June. Briefings are currently being scheduled with: City of Laguna Niguel, Irvine USD, and Placentia-Yorba Linda USD.

In efforts to get all of the Orange County Delegation together for a briefing in July, outreach to all Orange County Members took place this month. This includes Senators Bob Huff, John Moorlach, Janet Nguyen and Pat Bates, as well as Assembly Members Don Wagner, Travis Allen, Bill Brough, Young Kim, Ling Ling Chang and Matt Harper.

### 2016 Essentials Donation Drive Update

- The *Essentials* campaign concluded with a press conference at Families Assistance Ministries in San Clemente on June 9, 2016. Over 50,000 diapers and 20,000 baby wipes were delivered at the event.
- The event highlighted the new partnership between HomeAid, the Commission and the Orange County Food Bank.
- The press conference was covered by the Orange County Register.
- Items donated continued to be counted and sorted at the Orange County Food Bank.
- UPS has begun delivering these items to recipient agencies.
- A current tally of items collected is over 1.2 million items. This includes over one million diapers and will be enough to supply facilities built in partnership with HomeAid with enough diapers and baby hygiene items for one year.



October 3, 2013

The Honorable (Representative)  
United States House of Representatives  
(Address)  
Washington, DC 20515

Dear Congress(wo)man (Name):

On behalf of the Children and Families Commission of Orange County, this letter is to make you aware of the discrepancy that has come to the Commission's attention regarding the Prevent All Cigarette Trafficking (PACT) Act. The PACT Act works to ensure appropriate tax collection and record keeping of internet and remote sales of cigarettes and smokeless tobacco however cigars and pipe tobacco are excluded from these requirements.

The PACT Act, which took effect in 2010, amended the Jenkins Act which governs the collection of taxes on cigarettes and other tobacco products. In addition, it requires sellers of tobacco products to register with the federal government. Recently, the Federation of Tax Administrators (FTA) approved a Resolution seeking to have cigar and pipe tobacco included in the PACT Act. The FTA provides services to state tax authorities, including the California State Board of Equalization.

While the Children and Families Commission of Orange County does not advocate nor take positions on tax policy, the Commission is responsible for the allocation of funds from Proposition 10, a 50-cent tax on tobacco products sold in California. Last year the Commission allocated funding to support 1.9 million health, early education, and family support services for young children and families. The Commission is bringing this discrepancy related to cigars and pipe tobacco in the PACT Act to your attention as it may impact funding to support critical programs for young children in Orange County under Proposition 10.

We appreciate your time and consideration of this matter.

Sincerely,

Michael L. Riley, Ph.D.  
Chair

cc: Christina Altmayer, Executive Director  
Moira Kenney, First 5 Association Executive Director

Commissioners

Executive Director

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