



**Agenda Item No. 3  
November 7, 2012 Meeting**

**DATE:** October 30, 2012

**TO:** Children and Families Commission of Orange County

**FROM:** Christina Altmayer, Interim Executive Director 

**SUBJECT:** Update of Fiscal Year 2012/13 Business Plan

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**SUMMARY:**

In April 2012, the Commission approved the FY 2012/13 Business Plan and Annual Budget. The Business Plan addresses how the Commission management and staff will implement the approved annual budget and strategic plan. The Business Plan contains three main components, of which changes are requested to the Resource Plan:

- Summary of the Proposed Work Plan – No changes recommended.
- Resource Plan – Changes to the Commission’s Committee Structure, Organizational Approach and Organization and Staffing sections of the Business Plan are recommended.
- Adopted Annual Operating and Administrative Budgets – Proposed changes to the FY 2012/13 Adopted Budget are addressed in Agenda Item 5. Receive presentation on the Long-Term Financial Plan and Fiscal Year 2012-13 budget amendment.

The Business Plan is primarily directed to the Commissioners to ensure that operating plans are consistent with the Commission’s priorities and objectives. The Business Plan reflects all planned work to be undertaken in FY 2012/13. It includes all Proposition 10 mandated work, including activities stipulated in the Proposition 10 legislation and subsequent statutory requirements. It also includes operational and programmatic priorities directed by the Commission including:

**Fiscal Year 2012/13 Administrative Budget**

The FY 2012/13 Budget maintained the Commission’s policy to limit administrative expenses to 10 percent of the annual budget. Health & Safety Code Section 130140 requires the Commission adopt a limit on the percentage of the Commission’s operating budget that may be spent on administrative functions. Administrative costs and functions are defined by the First 5 California Commission guidelines pursuant to Chapter 284, Statutes of 2005 (AB 109). Per Commission direction, the 10 percent administrative cap was applied to the FY 2012/13 Adopted Budget exclusive of funding allocations for catalytic investment. Work on developing the catalytic programs and related agreements were absorbed within the administrative budget. The FY 2012/13 Administrative Budget was 9.97 percent of the total budget, within the administrative cap.

In the first quarter of FY 2012/13, an aggressive review of the administrative budget and organizational structure was conducted recognizing the constraints in the current administrative

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budget and anticipated reductions for the FY 2013/14. This staff report highlights the recommended changes to Adopted Business Plan in three areas: Commission Committee Structure; Organizational Approach; and Organization and Staffing that are necessary to meet future year administrative ceiling requirements and implement prior Committee direction.

### **Commission Committee Structure**

The Commission has established three formal committees that carryout special designated function as determined by the Commission:

- Community Advisory Committee – Mandated by the Proposition 10 legislation, this Committee is comprised of experts and community leaders to advise the Commission regarding emerging research and issues pertinent to the health and develop of young children.
- Pediatric Health Services Committee – This Committee was delegated responsibility to oversee the Commission investments in pediatric health services.
- Investment Oversight Committee – The Investment Oversight Committee was created to ensure oversight and public transparency regarding the Commission’s investment structure, activities, and policies.

In May 2012, the Commission approved the Orange County Treasurer Investment Policy Statement and affirmed delegation of authority to the Orange County Treasurer as the Commission Treasurer to manage, deposit, and invest Commission funds, not required for the immediate needs of the Commission. The Commission action identified that the Investment Oversight Committee would no longer be necessary. Formal approval of this change in the FY 2012/13 Business Plan is requested. As part of this change, financial advisory services will change from a retainer basis to an as-needed basis effective January 2013, and related fees are anticipated to be reduced.

### **Organizational Approach**

The Commission organizational approach will remain unchanged in principal:

- Maintain a core internal staff of experienced and dedicated personnel
- Leverage consultants as necessary to provide staffing support and technical expertise
- Utilize County support and fiscal services as needed.

The Commission has a standing agreement with the County of Orange under which the County provides treasury/investment management, general accounting, purchasing, risk management, and information technology. This agreement will be amended to include human resource advisory services, on an as needed fee-for-service model. This will allow the Commission staff to tap into human resource expertise as issues arise from the County Human Resources Director and/or his/her designee. Given that Commission benefits and policies mirror the County, the County Human Resources Department is best positioned to provide this expertise.

### **Organization and Staffing**

Since 2009, the Commission total staffing has been declining. In FY 2011/12, three full-time positions were lost due to retirements and were eliminated. As part of the administrative budget reductions, an additional management position was eliminated in the first quarter of FY 2012/13. Remaining management and staff positions have assumed these additional responsibilities and

have developed innovative strategies to address the additional workload due to the catalytic agreements, while maintaining a strong compliance function and continuing the priorities on fund leveraging and sustainability. The reduced staffing model is working by pushing work down to the lowest possible qualified staff to perform the duties, fostering collaboration across units and relying on consultants as necessary to supplement staff during peak work times. The following additional operational changes are underway to achieve savings effective July 1, 2013:

- Reduction in leased space – Given the staff reductions, the Commission will be releasing 2,200 square feet in leased space resulting in annual savings of approximately \$48,000 effective July 1, 2013. Planning is currently underway to reassign office space to the staff within the remaining leased space.
- Analyzing staff time associated with program management – Currently, all management staff costs, with the exception of the evaluation management, are included within the administrative budget and subject to the administrative cap. However, given the reductions in staff and consultants, management and staff are increasingly spending their time in direct program management and oversight which are allowable program costs. The First 5 Financial Management Guide, developed as a compendium of best practice in financial management for all county commissions by the Government Finance Officers Association (GFOA), defines the costs categories and procedures for how commissions may determine costs as program versus administrative. Management and staff are currently participating in time study to determine a reasonable percentage of their time and personnel costs that are attributable to program. This analysis will be the basis for program and administrative budgets for FY 2012/13.

Throughout the FY 2012/13 year, management will continue to identify and pursue strategies to reduce administrative expenses and maximize operational efficiencies.

#### **STRATEGIC PLAN & FISCAL SUMMARY:**

The Business Plan and recommended actions presented in this staff report have been reviewed in relation to the Commission's Strategic Plan and are consistent with applicable goals.

#### **PRIOR COMMISSION ACTIONS:**

- May 2012 - Annual Consideration of Commission Investment Policy and Delegation of Investment Authority to County Treasurer
- April 2012 – Annual Review of the Strategic Plan, Approval of FY 2012/13 Business Plan and Budget, and Related Implementing Actions
- June 2011 – Approved FY 2011/12 Business Plan and Administrative Consulting Service agreements
- May 2011 - Confirmed the annual review of the Strategic Plan and the Annual Operating Budget for FY 2011/12

**RECOMMENDED ACTIONS:**

1. Approve elimination of Investment Oversight Committee
2. Approve Proposed Changes to Fiscal Year 2012/13 Business Plan

**Contact:** Christina Altmayer