

DATE: June 4, 2012

TO: Children and Families Commission of Orange County

FROM: Michael M. Ruane, Executive Director



SUBJECT: Progress Report on Round 1 Catalytic Investments: Updated Terms and Conditions and Proposed Funding Allocation

SUMMARY:

Since filing the agenda for the June 2012 Commission meeting, there are two new actions for the Round 1 Catalytic Investment projects. The negotiation process with THINK Together to provide long-term Early Literacy and Math programs has resulted in updated terms and conditions that are presented for approval, and a funding allocation to expand the Casa Teresa shelter for pregnant women and new mothers as part of the Emergency Shelter investments is recommended.

Early Literacy and Math Catalytic Investment - Updated Terms and Conditions -

Commission staff and counsel have been working with the representatives from THINK Together to develop final terms and conditions for an agreement implementing the initial term sheet for Early Literacy and Math approved at the February 2012 Commission meeting. The innovative and non-traditional nature of this catalytic investment requires some alterations to the Commission standard terms and conditions as noted in the attached matrix (Attachment 1). These modified terms represent variances from the standard business practices of the Commission to accommodate the unique nature of this project. These modifications have been reviewed by Commission counsel and Commission approval is recommended to enter into an agreement for the catalytic investment in Early Literacy and Math with THINK Together utilizing these modified terms and conditions.

Emergency Shelter Catalytic Investment – Funding Allocation for Casa Teresa

During the past winter season, the Armory Family Redirection program served over 500 families of which 75 were pregnant women. Casa Teresa has been in discussions with the Commission and HomeAid Orange County to expand their program to include an emergency shelter component focused on pregnant women. Approval of the term sheet for Commission investment in an Emergency Shelter project with Casa Teresa (Attachment 2) is recommended.

The Commission's investment is up to \$1.5 million, \$750,000 initial investment and up to an additional \$750,000 if Casa Teresa is able to obtain other matching funds and complete a comprehensive strategic plan integrating the additional services. Depending on the amount of funds raised, Casa Teresa will be able to use the Commission funding either for operations or acquisition of the shelter space. The Commission's FY 2011/12 budget included funding for an emergency shelter project, \$750,000 of the funding for this project will come from that allocation. If conditions are met, the additional funding of \$750,000 will be included in the FY

2012/13 budget under the allocation for HomeAid Orange County and Emergency Shelter projects. This would leave over \$6 million for additional HomeAid Orange County Catalytic Investment projects. The funding will be provided directly to Casa Teresa and will be established as a service payback agreement.

This Supplemental Transmittal includes two additional recommended actions to the two that are in the original staff report. The four recommended actions for the Round 1 Catalytic Investments are listed for formal action.

RECOMMENDED ACTIONS:

1. Receive update and presentation on Round 1 Catalytic Investments
2. Approve updated final terms and conditions for Round 1 Catalytic Investment as set forth in the staff report.
3. Approve modified terms and conditions (Attachment 1) for Agreement Number FCI-EL-06 with THINK Together for Early Literacy and Math.
4. Approve Casa Teresa Emergency Shelter Catalytic Investment Terms and Conditions (Attachment 2).

ATTACHMENTS:

1. Summary of Modified Terms and Conditions for Agreement FCI-EL-06 with THINK Together
2. Casa Teresa Emergency Shelter Catalytic Investment Terms and Conditions

**SUMMARY OF MODIFIED TERMS AND CONDITIONS
FOR AGREEMENT FCI-EL-06 WITH THINK TOGETHER**

Clarification of Requirement:		
Section Heading	Description	Section Reference
Alteration of Terms	Clarified language regarding mutual agreement to update work plans, scopes of work, and budget for each year of the agreement.	Section 2.1
Insurance	Added “except as otherwise expressly set forth herein” to ensure provisions within this section are not inconsistent with other remedies available throughout the agreement.	7.6(c)
Representations and Warranties of Contractor	Language clarified that warranties are made as of the date of execution of the agreement and that Contractor shall ensure compliance throughout the term.	Section 10 and subsections therein
Form of Business Organization and Real Property Disclosure	Clarified the list of corporate officers and board members required to provide disclosures under this provision and modified language to reflect that Contractor will be purchasing a building rather than leasing or renting space.	Section 11 and subsections therein
Interpretation of Contract Requirements	Clarified that Administrator’s interpretation of the contract requirements are non-binding and that Contractor shall have the right to assert its rights and remedies in court.	Section 13
Maximum Payment Obligation - Indirect Cost Rate	Clarified that the maximum indirect cost rate shall be calculated based on the total annual project budget and not the ongoing operational funding allocation by Commission in each succeeding year.	Section 16.5
Maximum Payment Obligation - Source of Funding Limited to Commission Funding	Clarified that any reduction in the ongoing operational funding allocation by the Commission shall not reduce the Service Repayment for such year.	Section 16.10
Termination	Clarified that if the agreement is terminated without cause by either party, the Deed of Trust will be reconveyed upon repayment of any remaining repayment balance.	Section 24.1.1
Reversion of Assets	Modified language to reflect that the standard capital equipment provisions requiring return or disposition of capital equipment purchased with Commission funds will not apply to the building purchased by Contractor.	Section 26.2

Modified Requirement/Authority:		
Section Heading	Description	Section Reference
Alteration of Terms	Confirmed sole discretion of Commission, through Administrator, to determine program changes in the event of funding reduction in future years.	Section 2.3
Subcontracts	Added provision that consent to subcontracts shall not be unreasonably withheld.	Section 5
Indemnification – Notice of Claim	Reduced time for Commission to give notice of third party claim from 30 days to 10 days to allow Contractor to have more time to prepare a response to the claim.	Section 6.3

Reporting Requirements - Enforcement of Child Support Obligations	Changed timeframe for Contractor to comply with County's reporting requirements for Child Support Enforcement Obligations from 30 days of "award" of this Agreement to 30 days of "execution" of this agreement.	Section 14.2.1
Audits / Records	Added requirement for Commission to ensure its staff and consultants shall hold all records of Contractor accessed within the context of an audit or other monitoring activity in confidence and not release publicly without the prior written approval of Contractor or as required by law.	Sections 15.3, 19.1, and 19.6
Commission Security for Funding	Added provision setting forth the security options for Commission funding including Letter of Credit, Deed of Trust, and disbursement of funds for purchase or construction of a building.	Section 18
Records	Records of services and data related to the performance of this agreement shall not be released without the written prior approval of <u>either</u> party (changed from Commission).	Section 19.4
Ownership of Intellectual Property Rights	Removed provision allowing Commission to act as Contractor's attorney-in-fact to perfect ownership and control of intellectual property developed by Contractor under this Agreement without modifying Commission's ownership rights to such property.	Section 21
Default	Added provision that Contractor shall have 30 days following written notice of non-performance or non-compliance to cure before determined to be in default of the agreement. Changed from optional 15 days to cure.	Section 25.1

Casa Teresa Emergency Shelter Catalytic Investment Terms and Conditions	
Existing Program Overview	<p>Casa Teresa provides a temporary home and on-going support for pregnant women 18 years of age and older. The transitional housing program prepares these women to make informed decisions for themselves and their babies. Casa Teresa's vision is to empower pregnant homeless women 18 years of age and older to achieve lifelong self-sufficiency for themselves and their children. The program consists of 3 phases: Phase I – 3 months of residential support services, Phase II – 6 months of parenting skills and self-sufficiency in Transition House I living, and Phase III – 12 months of extended social support in Transition House II living.</p> <p>The current Commission grant provides for 14 women and their babies to participate in Casa Teresa's Phase II and III programs. The program has a robust case management component and requires residents to be actively working or going to school and participate in life skills classes to move them towards the goals of self-sufficiency.</p>
Statement of Need	<ul style="list-style-type: none"> • Orange County does not have a year-around emergency shelter system for children and families • Less than 25 beds are available for families in need of emergency shelter (when Armory Program is closed) • During the winter of 2011/12 the Armory Program served over 500 families with 75 of those families being pregnant women
Proposed Catalytic Investment	<p>The Commission to provide funding to purchase additional facility that would allow for an estimated 26 bed emergency shelter program for pregnant women and their children. The program would also include a drop-in center that would allow for graduates of the program to access ongoing supportive services, and prevention services for pregnant women that might be at-risk of becoming homeless.</p>
Terms of Funding	
Commission Financial Contribution	<p>The Commission would provide \$750,000 for acquisition of the property. An additional \$750,000 will be made available to the agency when a comprehensive strategic fund development and operational plan are completed and at least \$500,000 has been raised in matching funds. In the event, Casa Teresa is able to raise more funding for the purchase of property, the Commission funding may be used for operational support in the first 5 years.</p>
Service Payback	<p>Casa Teresa will provide emergency shelter services to pregnant women and their children. Emergency shelter services will include but are not limited to shelter, food, basic needs, prenatal services, case management and linkage to permanent housing or transitional housing programs. Estimated service payback completion is 10 years.</p>
Funding Security	<p>The Commission's investment will be secured either by:</p> <ul style="list-style-type: none"> • Letter(s) of Credit held by the Commission and once Casa Teresa has received the certificate of occupancy then the Letter(s) of Credit will be reduced annually by the amount of service payback completed during the prior year; or • Placing the Commission in first position on the deed of trust on their existing facility. <p>Initially, the security will be for \$750,000 and then will need to be increased based on the agency's ability to meet match funding requirements.</p>
Programmatic Oversight	<p>In order to meet the match funding requirements Casa Teresa will need to complete a comprehensive strategic plan that integrates the additional property and emergency shelter beds into agency's mission, operations and fund development strategies.</p> <p>During operations, Casa Teresa will be required to implement and report on a work plan to include the services as described above. They must also report on the demographic and outcome information for each client. Casa Teresa will participate in countywide efforts to coordinate intake services for emergency housing services specific to pregnant women.</p>

DATE: May 23, 2012

TO: Children and Families Commission of Orange County

FROM: Michael M. Ruane, Executive Director



SUBJECT: Progress Report on Round 1 Catalytic Investments

SUMMARY:

This item is a follow-up to the Strategic Financial Planning Workshop and funding allocations approved at the February 2012 Commission meeting. The Commission authorized an allocation of \$45 million to six catalytic projects: Children's Dental Health, Early Literacy/Math, Neurodevelopmental Services/Autism Program, VISTA, Healthy Child Development (Resources for Children and Families), and Year Around Emergency Shelter. Progress updates on each of the projects are included in the presentation (Attachment 1).

Status of Catalytic Investment Projects

Commission staff has been working on each of the catalytic agreements. An update on the progress made for each agreement is described below.

- Children's Dental Health - Terms and conditions are finalized and the scope of services is complete. The contract is being executed initially with Healthy Smiles, and payments for services will be paid in arrears until a fiscal intermediary is established.
- VISTA (Volunteers in Service to America) - Request for Proposals (RFP) were issued to the three agencies that have experience operating VISTA program. The proposals are due back in August 2012. The responses will be reviewed and a recommendation will be provided to the Commission for action in the fall 2012.
- Neurodevelopmental Services/Autism Program - Consistent with prior Commission action, on May 21 the Pediatric Health Services Committee approved the final terms and conditions for the agreement.
- Early Literacy - THINK Together is negotiating the purchase of a building that will be used as security for the Commission's investment. Final terms and conditions of the agreement are being negotiated with THINK Together.

An update on the remaining two catalytic projects, Year Around Emergency Shelter (HomeAid Orange County) and Healthy Child Development (Pretend City) will be provided during the meeting as part of the presentation (Attachment 1).

Updated Terms and Conditions

Since the original funding authorization, staff and counsel have been developing final contract documents and scope of services based upon the initial funding term sheets. Because of the unique needs of each program, updated terms and conditions have been required as set forth below:

1. Children's Dental Health - Initial contract will be directly with Healthy Smiles instead of through a fiscal intermediary. The agreement as developed still provides for an opportunity for Healthy Smiles to identify a fiscal intermediary or to provide security and receive advance payment.
2. Early Literacy/Math - Commission staff and counsel are working with the representatives from THINK Together to develop final terms and conditions. Due to the uniqueness of this catalytic investment, there may need to be alterations to the Commission standard terms and conditions. If modified terms are required, they will be presented separately for Commission review.

STRATEGIC PLAN & FISCAL SUMMARY

This agenda item is consistent with all Strategic Plan goals. The Funding Allocation Plan reallocates the AB 99 payment in the adopted FY 2011/12 Budget and is reflected in the FY 2012/13 Budget.

PRIOR COMMISISON ACTIONS:

- February 2012 – Funding Allocation for Catalytic Investments
- January 2012 – Approve funding level of \$45 million for Catalytic Investments
- December and November 2011 – Received the Strategic Financial Planning Presentation
- October 2011 – Received presentation of the Budget Update and Proposed Strategic Planning Process
- September 2011 – Received Annual External Audit Process and Preliminary Year-End Financial Results

RECOMMENDED ACTIONS:

1. Receive update and presentation on Round 1 Catalytic Investments
2. Approve updated final terms and conditions for Round 1 Catalytic Investment as set forth in the staff report.

ATTACHMENT:

1. Commission Round 1 Catalytic Investments Update

Contact: Kim Goll

Commission Round 1 Catalytic Investments Update

June 6, 2012

Agenda Item No. 5



Children & Families
Commission of Orange County

Recap of Catalytic Funding Action

- Catalytic funding allocations made by the Commission at the February 2012 meeting.
- Authorized \$45 million allocated to six catalytic projects:
 - Children’s Dental Health
 - Early Literacy
 - Neurodevelopmental Services/Autism Program
 - VISTA
 - Healthy Child Development (Resources for Children and Families)
 - Year Around Emergency Shelter

Pretend City Overview

- Commission has a multi-year Partnership to improve development screening and child well being
- New facility is a community resource but museum is in leased space and needs to move to permanent location
- Catalytic Investment will expand partnership to include:
 - Expanded hours and access for young families
 - Countywide developmental screening and healthy development services
 - Utilization of permanent facilities as resource center and training site



Pretend City[®]
CHILDREN'S MUSEUM

PRETEND CITY CHILDREN'S MUSEUM

- Pretend City conducted an extensive recruitment for a new Executive Director through the Fall of 2011 and Winter of 2012
 - Sandra Bolton, RN, JD
 - Previous Executive Director of Healthy Smiles for Kids of Orange County
 - Over 30 years in Orange County non-profit community

Pretend City's Enhanced Strategic Vision

- Establish Pretend City as the venue to manage, improve and provide continued innovation for healthy child development. [evidence based practices]
- Create a permanent resource center for parents, families, providers and teachers.
- Create a sustainable platform for the delivery of collaborative services for developmental screening.

Urban land institute

Technical Assistance Panel (TAP)

- Best size of a new facility
- Location in Orange County
- Are there opportunities for free or substantially reduced cost for space?
- How can the offices of the Children and Families Commission be accommodated?
- What are the associated donor/fundraising, naming opportunities?

Pretend City Children's Museum

Board of Directors

- 17 fully engaged committed Board Members
- Executive Committee:
 - Hiran Emadi, Innovative Construction Solutions
 - Chad Horning, Chase Merritt
 - Bill Lyon, William Lyon Homes
 - Jill Berteau, Fidelity Financial
 - Tom Leary, Manatt Phelps
- Committed to maintaining a engaged and active Board



Year Around Emergency Shelter

Scott Larson, Executive Director

HomeAid
Orange County

Year Around Emergency Shelter

- County lacks a year around emergency shelter
- Currently Commission supplements Winter Armory program, with the Family Redirection Program, served over 500 families in the 2011/2012 winter season
- Focus is on the creation of new shelter(s) that will serve children and families and pregnant women

Shelter Provider Interest

- American Family Housing
- Anaheim Interfaith
- Casa Teresa
- Colette's Children's Home
- Illumination Foundation
- Mercy House
- Pathways of Hope (formerly known as Fullerton Interfaith)
- Salvation Army
- Veteran's First

Site Identification

- **Rosenow Spevacek Group, Inc (RSG)**
 - Thirty years of expertise conducting property research and market assessments,
 - Familiar with the policies and procedures used by local municipal governments to dispose of land assets, which may play a key role in the site selection.
- **Key Components of the Scope of Services**
 - Development of Property Criteria/Ranking System
 - Initial Identification of Potential Sites
 - Evaluate Identified Candidate Properties
 - Property Investigation (TBD)

Fiscal Agent Options

- **Funding Security**
 - Held at HomeAid Orange County secured by letter of credit or similar structure
 - Held at a mutually agreed upon Bank with controls on the account that require Commission and HomeAid signatures for release of any funding
 - Held at a fiscal sponsor such as OneOC or PHFE
- Solicited proposals from 4 banks, 2 fiscal intermediaries, and a foundation
- **Areas of evaluation**
 - Financial Expertise and Stability of Institution
 - Cash Management and Adherence to Investment Policies
 - Ability to Provide Security for Funding
 - Financial Reporting and Analysis
 - Mechanics of Access to Funding and Distribution Process
 - Fee Schedule for Investment Management and Services

To Be Completed by August 30, 2012

- Finalize selection of fiscal intermediary
- Work with RSG on identification of sites
- HomeAid will continue to meet with shelter providers

Next Steps

- Execute agreements with Healthy Smiles, THINK Together, and HomeAid Orange County
- Complete the Request for Application (RFA) process for the VISTA program and return to Commission with a recommendation and timeline for implementation
- Provide progress report at September Commission meeting