



***Supplemental Transmittal  
Agenda Item No. 6  
January 4, 2012 Meeting***

**DATE:** December 29, 2011  
**TO:** Clerk of the Commission  
**FROM:** Michael M. Ruane, Executive Director  
**SUBJECT:** Expanded Funding Allocation Plan

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We have been requested to present an alternative funding plan for review and consideration. In summary, full allocation of the litigation recovery fund would occur under this plan, instead of the \$36 million allocation plan submitted previously.

A financial analysis and assumptions are also included. This alternative will be included and addressed in the staff presentation for this agenda item.

cc: Commission Members  
Commission Counsel

# Expanded Funding Allocation Plan

January 4, 2012

Agenda Item No. 6B

Supplemental



# Balance of Catalytic Funding

- In response to Commissioner input, staff explored additional options to address the balance of catalytic funding:

\$ Millions	
\$51.40	AB 99 Litigation Recovery
<u>\$4.50</u>	FY 10/11 Carryover
\$55.90	
<u>(\$36.00)</u>	Funding Allocation Recommendations
\$19.90	Reserve for Pending Appeal

- Current staff proposal dedicates \$36 million for initial funding allocation, and utilizes the balance to support ongoing critical services under a worst case scenario. Once the State's decision on appeal is known, Commission would reconsider balance of funding allocation plan.
- Potential Alternative Actions for \$19.9 Million Reserve:
  - Multi Year Funding Agreements (Scenario 1 - Appeal Pending):** If the Commission pursues immediate allocation of full catalytic funding, staff would recommend developing multi-year agreements with agencies for core funding (Examples: home visitation, community clinics, school nursing) and fully encumber catalytic funding. Funding would be directed to secure core services for FY 12/13 and beyond to degree available.
  - Expanded Catalytic Funding (Scenario 2- No Appeal):** If the State does not appeal, revert to the previously existing Long Term Financial Plan and the balance of the catalytic funding would be available for allocation. (See next slide with recommendations if no appeal is filed).

# Scenario 2

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- If the State does not appeal and the Commission decides to make immediate funding allocations, the balance of catalytic funding could be directed to:
  - Children’s Dental Program (Increased Funding)
    - Secure dental program regardless of ability to secure match for ten years
  - Year Around Emergency Shelter (Increased Funding)
    - Expand program capacity to provide onsite medical and case management services; increase trust fund
  - Autism and Early Developmental Services (Expand Existing Catalytic Investment)
    - Highest priority of Pediatric Health Services Committee
    - Provide additional match funds to leverage foundations; consider endowing certain positions dedicated to sustaining services.
- These three projects are consistent with Commission priority investments and have the ability to implement on an expedited schedule.

# Funding Allocation Plan Summary – Scenario 2

Focus Area	Amount
Children’s Dental Program	\$13 million
Year Around Emergency Shelter	\$4 million
Early Literacy & Math	\$5 million
Prenatal and Newborn/Infant Support	\$6 million (combined)
Partnership for Children’s Health	\$3.5 million
O.C. VISTA Program	\$500,000
Nutrition and Fitness	\$500,000
Capacity Building	\$3.5 million
<b>SUBTOTAL</b>	<b>\$36 million</b>
Children’s Dental Program	\$ 7 million
Year Around Emergency Shelter	\$ 5 million
Neurodevelopmental/ Autism Program	\$ 7 million
<b>TOTAL</b>	<b>\$55 million</b>



**Agenda Item No. 6  
January 4, 2012 Meeting**

**DATE:** December 22, 2011

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

**FROM:** Michael M. Ruane, Executive Director

A handwritten signature in black ink, appearing to read "Michael M. Ruane", is positioned to the right of the "FROM:" line.

**SUBJECT:** Strategic Financial Planning Workshop

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**SUMMARY:**

The practice of the Children and Families Commission of Orange County is to begin the budget planning process in January of each year. The budget planning for the 2012/13 fiscal year began in October 2011 due to the significant impact of AB 99 litigation that has tied up \$51.4 million of potential program funds. This item is a follow-up to the Strategic Financial Planning Workshop items that were presented at the November and December meetings.

**Strategic Financial Planning Process**

An initial Strategic Planning Workshop began in November and was continued to the December meeting with the presentation of four budget planning options for the next two fiscal years. The Commission approved the option to develop an initial baseline for potential budget reductions to targeted programs that will be phased over two-years. This option also relies on realizing budget reductions from catalytic investments implemented over the next two years.

**Funding Plan Update and Proposed Funding Allocation Plan**

The recent favorable court ruling in the legal challenge to AB 99 coupled with the projected year fund balance, support a consideration of an updated funding plan for Commission priorities.

This item presents two separate reports:

- A. **Funding Plan Update** – This presentation addresses the Commission’s funding capacity in light of the recent court ruling. The financial analysis supports a catalytic funding plan of one-time investments of up to \$36 million that could be moved forward even while an appeal to the Appellate Court is pending over the next year. The funding plan provides a worst case scenario that would still maintain a core network of safety net and critical services for children.
- B. **Proposed Funding Allocation Plan** – This presentation outlines a proposed funding plan for one-time catalytic investments for key Commission priorities. One goal of this funding plan would be to reduce or eliminate future ongoing support for several major programs.

Based upon Commission direction, staff is prepared to return at your February Commission meeting for approval of implementing actions.

**STRATEGIC PLAN & FISCAL SUMMARY:**

This agenda item is consistent with all Strategic Plan goals. The Proposed Funding Allocation Plan would require an adjustment to the adopted FY 11/12 Budget and FY 12/13 and FY 13/14 Budget assumptions.

**PRIOR COMMISISON ACTIONS:**

- 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
- May 2011 - Approved Fiscal Year 2011/12 Budget

**RECOMMENDED ACTIONS:**

1. Receive the Commission Funding Plan Update and Proposed Funding Allocation Plan Presentations
2. Provide policy direction on the Funding Allocation Plan and direct staff to return with required implementing actions at the February 2012 meeting.

**ATTACHMENTS:**

1. Commission Funding Plan – Update and Recommendations
2. Proposed Funding Allocation Plan

**CONTACT:** Christina Altmayer

# Commission Funding Plan – Update and Recommendations

January 4, 2012  
Agenda Item No. 6A



Children & Families  
Commission of Orange County

# Recap of FY 11/12 Financial Planning

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- Commission staff reported a \$5.3 million increase to the June 30, 2012 forecast:
  - \$4.5 million in revenue and expense savings in FY 10/11
  - \$800,000 increase in projected FY 11/12 revenue from prior forecast
- Savings from FY 10/11 of \$4.5 million would be available to:
  - Support one-time projects (catalytic or endowment)
  - Other emerging needs as determined by your Commission
- \$51.4 million in litigation recovery funds, pending potential appeal from the State, available for one time catalytic and endowment program funding.

# Litigation Recovery Funds

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- Due to State passage of AB 99, Commission reserved \$51.4 in payment required to the State. Recent ruling in lawsuit filed by the Commission, pending appeal, provides impetus to accelerate funding of one-time projects.
- Commission met the AB 99 Compliant Budget through reductions in FY 11/12 and future year budgets:
  - Immediate reductions in FY 11/12 Budget – The FY 11/12 budget reflects a 24% reduction in planned program expenses (over 40% from FY 10/11 budget) and a one-year term for most program grants. In addition, the approved budget included a 24% reduction in administrative expenses over prior year budget.
  - Reduction of multi- year contracts and encumbrances - Commission eliminated multi year commitments in FY 12/13 and in FY 13/14 totaling \$23.5 million.

# Catalytic Strategy

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- Recent favorable court ruling provides opportunity to accelerate plan to utilize litigation recovery funds to support one-time funding actions
  - Revenue is forecasted to continue to decline between 3 and 5 percent annually over the next ten years
  - Catalytic funding strategies, as recommended by Bridgespan Group, provide an opportunity for the Commission to impact outcomes for children without requiring ongoing investments
  - Programs that are best candidates for catalytic investment:
    - Benefit from a one-time capital or significant investment
    - Operate with fee or revenue generation model that could be expanded or enhanced
    - Potential to expand funding base for program

# Catalytic Program Management

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- Catalytic programs by definition may require one-time costs for planning and development and ongoing costs to manage investment such as trust services, etc.
- Internal costs associated with catalytic expenses, such as technical, legal or financial management resources, would be absorbed within the catalytic budget. No ongoing staff or resources would be added to the administrative budget.
- Administrative budget will continue to operate within the 10 percent limit of the operating budget, exclusive of the catalytic program.

# Ongoing Core Funding for Critical Services

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- Programs that are not suitable candidates for catalytic investments, but are critical to achieving priority outcomes would continue to require ongoing support:
  - Programs leveraging other funding sources and serving high-risk populations
    - Public health nursing
    - Home visitation
    - Community clinics
  - Partnerships with school districts for core services, such as school nursing
  - Capacity building including evaluation
  - Transitional services for homeless families and young children
- Opportunity to work with UniHealth Foundation on ongoing quality improvement/technical assistance for Commission nursing and clinic investments- could be candidate for Capacity Building funding.
- Minimum annual funding requirement of approximately \$15 million for these services in FY 13/14: \$12.5 million in FY 14/15. (Assumes implementation of catalytic investments outlined in 6B or similar investments).

# Catalytic Funding Capacity

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- While potential appeal is pending, Commission staff evaluated the capacity to invest in catalytic or other one-time investments:
  - No appeal or appeal is sustained – Full \$51.4 million would be available to catalytic and other one-time investments
  - If an appeal by State was successful – Commission would lose annual Prop 10 allocations, until it had fully met the \$51.4 million payment obligation. Based on revenue forecast and estimated appeal timeline, staff projects that revenue loss would be for two years (January 2013 through December 2014).
- Sensitivity testing analysis indicated that the Commission is able to reserve a portion of the litigation recovery funds to sustain priority direct services should the State appeal be successful.

# Funding Recommendations

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- If the Commission's priority is to allocate maximum available fund balance, staff analysis concluded that **\$36 million** could be immediately allocated for catalytic investments, *even in the unlikely event that the State wins an appeal.*
- This is based on the following assumptions:
  - \$4.5 million from the FY 10/11 realized savings in is dedicated for catalytic investments
  - Appeal decision released in January 2013 and Commission begins scale down in funding in last quarter of FY 12/13
  - Commission fund balance policy requiring a minimum fund balance of 25% of annual budget is sustained
  - \$31.5 million of the \$51.4 million in litigation recovery funds is used for catalytic investments; balance of the funding (\$19.9 million) is used to support critical services during the two years in which the Commission receives no income
- Any revisions to the proposed funding allocation plan, including related fund balance assumptions, should be reviewed by the Ad Hoc Finance Committee prior to Commission action. Estimated maximum allocation would be adjusted accordingly.
- Funding recommendation will be reviewed, and adjusted as necessary, based on State action on appeal.

# Five Year Forecast (Worst Case Scenario)

Planning Scenario assuming Commission Eventually Unsuccessful in Lawsuit						
		2011/12 Amended Budget	2012/13	2013/14	2014/15	2015/16
Beginning Fund Balance		\$ 29,975.4	\$ 37,697.9	\$ 24,009.4	\$ 6,809.4	\$ 3,787.9
Revenue	Release of AB99 Funds	51,369.4				
	Prop 10 Tax Allocations (1)	27,369.4	26,411.5	25,487.1	24,722.5	23,980.8
	<b>- Less Payment due to State for failed lawsuit</b>		<b>(13,000.0)</b>	<b>(25,487.1)</b>	<b>(13,000.0)</b>	
	Other revenues	1,804.2	800.0	500.0	500.0	500.0
Total Revenue		\$ 80,543.1	\$ 14,211.5	\$ 500.0	\$ 12,222.5	\$ 24,480.8
Expenses		37,570.6	28,250.0	18,000.0	15,300.0	22,850.0
	<b>Catalytic Projects</b>	<b>36,000.0</b>				
Total Expenses		73,570.6	28,250.0	18,000.0	15,300.0	22,850.0
					-	
Program Revenues over/(under) Expenses		6,972.5	(14,038.5)	(17,500.0)	(3,077.5)	1,630.8
<b>Fund Balance with Interest Earnings</b>		<b>\$ 37,697.9</b>	<b>\$ 24,009.4</b>	<b>\$ 6,809.4</b>	<b>\$ 3,787.9</b>	<b>\$ 5,500.0</b>
Fund Balance Share			85.0%	37.8%	24.8%	24.1%

# Proposed Funding Allocation Plan

January 4, 2012

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# Impact of AB 99 on Long Term Sustainability of Programs

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- Prior to the passage of AB 99, Commission priority was to identify programs that had ability to implement catalytic investments and become sustainable without continued Commission funding.
- AB 99 impacted the Commission's ability to invest in sustainability efforts in key initiatives.
- Despite the AB 99 reductions, Commission remains key funder of children's dental programs, homeless prevention, health and early intervention services.

# Commission Investment in Community Data & Outcomes Measurement Programs

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- Currently sponsors or co-sponsors:
  - Conditions of Children
  - Orange County Indicators Report
  - Community Health Needs Assessments (e.g. Early Development Index)
- Collects data from each Commission grantee related to program impacts for the past 10 years
- Participates in countywide planning efforts focused on children's health and education needs in the community
- Recently established the OC Health Research Center in conjunction with federal grant to UC Irvine
- These efforts provide a strong foundation for assessing community needs and catalytic investment opportunities.

# Successful Catalytic Projects

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- **Eliminated Ongoing Investment**
  - Huntington Valley Boys and Girls Club
  - Fullerton Interfaith Emergency Services
- **Leveraged Funding Following Start-Up Funding**
  - Kinship Center
  - Kid Works Preschool Program
- **Created Infrastructure and Support Ongoing Services**
  - YMCA of Santa Ana
  - Pretend City

# Guiding Framework for New Catalytic Investments

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- Focus on investments that have potential for reducing Commission's ongoing financial commitments.
- Identify candidate projects that have potential to generate matching funds or other investors.
- Target projects that can sustain or expand services in critical areas through one-time investments.
- Identify programs/agencies that are not candidates for catalytic funding, and instead require ongoing core operating support:
  - School District Nursing and Early Learning Programs
  - Public Health Nursing and Home Visitation
  - Participation in State and Federal Fiscal Leveraging Programs
  - Safety Net Transitional Shelters and Specialty Medical Services

# FUNDING RECOMMENDATIONS

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1. Children's Dental Program
2. Year-Around Emergency Shelter for Children and Families
3. Early Literacy and Math
4. Expanded Prenatal Care and Education
5. Expanded Support for Infants and Young Children
6. Partnership for Children's Health
7. VISTA Program
8. Nutrition and Fitness Initiative
9. Capacity Building

# 1. Children's Dental Program

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## Case for Funding

- One out of three children in Orange County has untreated tooth decay (33%), *a higher rate than the statewide average (27%)*
- Tooth decay is the most common chronic childhood disease, five times more frequent than asthma
- Prior to Commission investment, there was not a system of care for preventive or restorative dental services

## Current Program Funding

- Four Commission funded programs (\$1.5 million annually)
  - Residency Program (funds two pediatric dental residents placed with Healthy Smiles)
  - Post Residency (provides per diem and annual loan payments for pediatric dentist and anesthesiologists who volunteer their time)
  - Collaborative Clinic Agreement (supports community clinic partners preventive services)
  - Main Services Agreement (provides core operating support for Healthy Smiles to provide prevention and education countywide, as well as provide restorative treatment for those children hardest to serve)

## Proposed Funding Strategy

- Establish endowment that requires matching funds to support Residency and Post Residency Retention programs
- Establish a trust account to ensure funding for clinical, education and prevention services

## Implementing Partners

- Healthy Smiles for Kids of Orange County
- UniHealth Foundation
- National or Statewide Dental Foundation (Children's Oral Health Foundation or California Dental Foundation)
- University of Southern California, School of Dentistry

# 1. Children's Dental Program

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## **Recommended Funding: \$13 million**

- \$3 million to establish Endowment for Pediatric Dental Resident and Post Residency Retention programs
- \$10 million in trust fund that secures ongoing services

## **Estimated Return on Investment**

- Pediatric Dental Residency Program and Residency Retention Program - 100% match and return on investment within five years. Require match and use match as corpus for ongoing program sustainability.
- Clinical Services, Education and Prevention- Trust account will fully fund services for initial five years. Anticipate reductions from the annual draw of the trust as the strategic fund development work is more successful.

# 2. Year-Around Emergency Shelter

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## Case for Funding

- 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)
- Last year, the Armory Program served over 300 families

## Current Program Funding (minimum of \$450,000 annually)

- Family Redirection Program and Winter Housing Program provides alternative shelter for families that seek services at the Winter Armory

## Proposed Funding Strategy

- Expand existing capital investment to create one or more emergency shelters focused on the needs of families with young children
- Create a trust account to secure services at a family Emergency Shelter and to draw match dollars for other local funders

## Implementing Agencies

- HomeAid Orange County
- Designated Fiscal Sponsor

## Potential Partner Funders

- Orange County Funders Roundtable Members
- Weingart Foundation (Capital)

## Recommended Funding

- \$4 million in addition to \$940,000 allocated in the FY 11/12 Budget
  - \$2.9 million in capital and \$2 million in trust fund for start up and ongoing services

## Estimated Return on Investment

- Capital Investment will offset all allocations to Family Redirection Program and Winter Housing Program immediately upon opening (annually contribution is \$450,000)
- Trust fund will be used to stabilize initial operating years of Emergency Shelter

# 3. Early Literacy and Math

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## Case for Funding

- Research confirms a strong correlation between vocabulary at age three and 11<sup>th</sup> grade reading. Vocabulary at age three predicts first grade reading success; first grade vocabulary predicts 11<sup>th</sup> grade reading level
- Studies show that early math skills are the most powerful predictor of later school success

## Current Program Funding

- Early Literacy Program Description (\$1 million annually)
- STEM (Science, Technology, Engineering, Math) Program Description (\$250,000 over 3 years)

## Proposed Funding Strategy

- One time catalytic funding partnership and allocation to manage entity for Early Literacy Program (THINK Together)
- THINK Together would provide ongoing funding support for countywide Early Literacy Program and eliminate Commission funding after four years
- THINK Together will also incorporate early math/STEM curriculum into its early learning programs

## Implementing Partners

- THINK Together
- Fiscal Sponsor

## Recommended Funding

- \$5 million

## Estimated Return on Investment

- 100% over four years

# 4. Expanded Prenatal Care and Education

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## Case for Funding

- Orange County has not met the Healthy People goals for early prenatal care for the last three years

## Current Program Funding (\$765,000 annually)

- MOMS Orange County is funded by the Commission to provide prenatal home visits to low income women. MOMS secured a new building for operations but must pay off mortgage

## Proposed Funding Strategy

- Provide a capital investment to offset ongoing mortgage costs
- Expand prenatal outreach to larger audience by leveraging emerging social media and internet programs

## Recommended Partners

- MOMS Orange County
- Health Funders Partnership (consortium of local funders)
- Health Care Foundation of Orange County

## Recommended Funding

- \$1.5 million

## Estimated Return of Investment

- Annually reduction in grant amount by \$150,000
- Expand educational services to reach pregnant women throughout Orange County

# 5. Expanded Support for Infants and Young Children

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## Case for Funding

- Pockets of Orange County have experienced on-going declines in immunization rates
- Developmental screening and early identification programs need to be standardized with the next two years

## Current Program Funding

- Currently in a service pay back agreement with Pretend City that focuses on developmental screenings. Pretend City and partnering organization (Commission supported) have developed strategic developmental screening program and have expanded to address other issues
- Currently in leased facility. Expansion of service also requires permanent space.

## Proposed Funding Strategy

- Creation of virtual and permanent physical space for parent resource center and support on immunization, developmental screening and utilization of Kid Builders

## Implementing Partners

- Pretend City
- MOMS
- Commission Developmental Screening Collaborative (e.g. American Academy of Pediatrics, Family Support Network)

## Recommended Funding

- \$4.5 million

## Return on Investment

- Addresses unmet community needs currently not fully funded by Commission
- Could eliminate ongoing funding requirements for organizations currently providing developmental screenings

# 6. Establish Partnership for Children's Health

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## Case for Funding

- Orange County nonprofits have been generally unable to secure large national foundation and federal and state government grants. The Commission has 10+ years of data and has developed effective models for prevention and school readiness that could be appealing for national funding opportunities and sustain current funding.

## Program Description

- Fund the creation of a multi-faceted sustainability strategy that enhances and strengthens the network of Commission funded nonprofits such as; Healthy Smiles and Child Abuse Prevention Center. This type of investment was identified as a catalytic opportunity by these organizations.

## Recommended Partners

- Gallup Health and Wellbeing Program
- Healthcare Foundation of Orange County
- Public Health Foundation Enterprise, Inc. (As fiscal sponsor)

## Proposed Network

- Prevention Child Abuse Orange County
- MOMS
- Healthy Smiles
- Children's Bureau
- Family Support Network
- Raise Foundation

## Recommended Funding Level

- \$3.5 million

## Return on Investment

- This will position them as an effective network of community based organizations and will sustain services as Commission funding continues to decline.

# 7. Establish OC VISTA Program

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## Case for Funding

- Cost effective way to provide high quality staff to community organizations serving children and families. Provides “on the job” training to individuals interested in beginning a career in health, education or social services and provides the community organizations an opportunity to grow the workforce without significant additional costs.

## Current Program Funding (\$700,000)

- The AmeriCorp VISTA program provides financial support and educational stipends for individuals that serve for a minimum of one year. Commission has over 22 members serving locally and provides administrative support to an additional three county commissions with 20 members in service. The current program tends to be administratively burdensome and requires ongoing administrative infrastructure supported by the Commission.

## Proposed Funding Strategy

- Select a local partner that has expertise in administering a AmeriCorp VISTA program and would be willing to take over the existing program and potentially expand. Program may need to require participating agencies to cover some costs.

## Candidate Fiscal Sponsor

- Orangewood Children’s Foundation
- OneOC (formerly the Volunteer Center of Orange County)
- PHFE, Inc.

## Recommended Funding Level

- \$500,000

## Return on Investment

- 100% return investment over three years

# 8. Nutrition and Fitness (Child Obesity Prevention)

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## Case for Funding

- Obesity rates for children ages 0-5 are 14 % higher than Healthy People 2020 goals
- Most effective strategy for newborns and very young children are breastfeeding promotion and community programs serving parents
- Commission funded projects are the only community resource for young children and their families
- Only three out of 10 birthing hospitals in the Bridges Network have Baby Friendly designation (requires specific practices for breastfeeding promotion), which may suggest alternative strategies should also be explored

## Program Description

- Commission currently supports the implementation of the LEAN Start curriculum at Boys and Girls Clubs. Over 2,000 parents have finished the classes and preliminary evaluation indicate a positive outcomes

## Proposed Funding Strategy

- Create trust account for community based fitness and nutrition program and promotion of breastfeeding

## Recommended Partners

- Boys and Girls Clubs
- MOMS
- Orange County Perinatal Council

## Recommended Funding Level

- \$500,000 (\$350,000 to support community based fitness and nutrition program and \$150,000 to support breastfeeding promotion as developed by Orange County Perinatal Council )

## Return on Investment

- Addresses unmet community need and enhances current programs

# 9. Capacity Building

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## Case for Funding

- The need will continue to exist for Commission grantees and other community partners to access start-up funding for new programs or capital project funding

## Program Description

- Grants are available to support innovative proposals that focus on leveraged funding, increasing efficiencies, capital and/or infrastructure needs

## Implementing Agency Options

- Children and Families Commission
- OneOC
- PHFE, Inc.
- Healthcare Foundation of Orange County

## Proposed Funding Strategy

- Two funding categories
  1. New Program Development
  2. Capital Facility Expansion
- Program grants would be targeted at \$100,000 and capital/facility grants would be targeted at \$250,000
- Outcome of grants must either reduce ongoing financial contribution of the Commission, increase efficiencies of a service provider, and/or add infrastructure required to access non-commission revenues

## Recommended Funding

- \$3.5 million
  - \$1.5 million for Program Development/Start-Up grants
  - \$2 million for Capital/Facility Grants

# Funding Allocation Plan Summary

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Focus Area	Amount
Children's Dental Program	\$13 million
Year Around Emergency Shelter	\$4 million
Early Literacy & Math	\$5 million
Prenatal and Newborn/Infant Support	\$6 million (combined)
Partnership for Children's Health	\$3.5 million
O.C. VISTA Program	\$500,000
Nutrition and Fitness	\$500,000
Capacity Building	\$3.5 million
<b>TOTAL</b>	<b>\$36 million</b>

# Protection of Commission Investments

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- The term sheet for each project will include specific language regarding protection for up front contributions
- Investments will be protected by one or more of the following mechanisms:
  - Establishment of a trust fund at a foundation
  - Use of a fiscal sponsor (e.g. OneOC, PHFE, Inc.) for the project
  - Security in the form of letters of credit
  - Ability to intercept revenues in the event of default of service obligation

# Next Steps

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- Receive Commission direction and input on funding priorities
- Select implementing agencies best positioned to meet Commission expectations for return on investment or timely implementation
- Negotiate with implementing agencies
- Develop term sheets and return for Commission approval