



Children & Families
Commission of Orange County

RECEIVED

07 APR -3 AM 9:43

Agenda Item No. 6
April 4, 2007 Meeting

DATE: APRIL 2, 2007
CHILDREN & FAMILIES
COMMISSION OF ORANGE COUNTY
SUPERVISORS

DATE: April 2, 2007

TO: Children and Families Commission of Orange County

FROM: Michael M. Ruane, Executive Director

**SUBJECT: Supplemental Information: Proposed Appointments to the Commission's
Investment Oversight Committee**

SUMMARY:

The Commission approved guidelines for an Investment Oversight Committee in 2006. The five-member Committee was established to ensure oversight and public transparency regarding the investment structure and activities related to the investment of available Commission funds.

The Committee consists of four member categories: the Commission Executive Director, or designee; a representative of the Orange County Treasurer; a Treasurer or Investment Officer of a public agency; and two at-large public members. Members of the Investment Oversight Committee will act solely in an advisory capacity to the Commission. The Oversight Committee has no independent authority over any decisions involving the investment of Commission funds. The role of the Committee is to monitor and report its perspective on the Commission's investment activities to the Commission.

This memo is intended to provide supplemental background information about three candidates submitted to the Commission for your consideration as appointees to the Investment Oversight in the member categories of a Treasurer or Investment Officer of a public agency, and of two at-large public members.

Treasurer of a Public Agency

Mr. Kirk Avila currently serves as Treasurer and Public Finance Manager for the Orange County Transportation Authority, where he manages a \$1 billion fixed-income investment portfolio, and a \$650 million long-term debt program. He has been a member of the OCTA finance staff since 1991. Mr. Avila received a B.S. in mathematics and applied science from UCLA, and earned a M.S. in financial management from Purdue University.

At-Large Public Members

Mr. Don Collins is Managing Director, Capital Markets, for Brookstreet Securities Corporation, and is responsible for fixed-income portfolio strategies for public sector clients. Serving the fixed-income community for over 20 years, Mr. Collins is active in the California Municipal Treasurers Association and the California Association of County Treasurers and Tax Collectors, and regularly speaks at education conferences on their behalf. Mr. Collins received a B.S. in finance from U.S.C.

Members of the Commission

April 2, 2007

Page 2 of 2

Mr. Jon Maruya is Vice President, Corporate Treasury Division, for U.S. Bank, and has served as a capital markets and financial services professional for more than 20 years. Mr. Maruya has an extensive background in commercial bank portfolio and asset/liability management, including managing a \$750 million fixed-income portfolio for a large southern California financial institution. Mr. Maruya received a B.A. in finance from California State University, Dominguez Hills.

If you have any questions, or need further information, please contact Steve Kozak at 714-568-5722.

MMR:svk



Children & Families
Commission of Orange County

RECEIVED

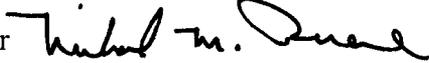
07 MAR 23 AM 9:42

CHILDREN & FAMILIES
COMMISSION OF ORANGE COUNTY
COMMUNITY SERVICES

**Agenda Item No. 6
April 4, 2007 Meeting**

DATE: April 4, 2007

TO: Children and Families Commission of Orange County

FROM: Michael M. Ruane, Executive Director 

SUBJECT: Upcoming Fiscal Management Actions

SUMMARY:

Staff is completing preparation of the following set of documents for consideration by the Commission at your May 2, 2007 regular meeting. Taken together, these documents and plans can be described as the Commission's Fiscal Management Action Plan for FY 2007-08. The purpose of this agenda item is to preview the documents for the Commission, and request that the Commission approve appointments to the Investment Oversight Committee. The documents for FY 2007-08 will include:

- A. Annual Review of Strategic Plan
- B. Ten-Year Financial Plan
- C. Annual Business Plan (includes Work Program)
- D. Adjustments required for the FY 2006-07 Budget
- E. Proposed FY 2007-08 Annual Budget
- F. Review of Investment Policy Statement

PREVIEW OF UPCOMING ACTIONS

Enclosed is a presentation outline for the April meeting (Attachment 1), which outlines the existing fiscal status of the Commission along with a timeline for upcoming actions. Beginning in May, 2007 a series of annual reviews and fiscal actions will be scheduled consistent with prior practice. The only item presented for action at today's meeting is the appointments to the Investment Oversight Committee which is presented below.

INVESTMENT OVERSIGHT COMMITTEE:

The Commission approved guidelines for an Investment Oversight Committee in January 2006. The five-member Committee was established to ensure oversight and public transparency regarding the investment structure and activities related to the investment of available Commission funds.

The Committee has four member categories: the Commission Executive Director, or designee, a representative of the Orange County Treasurer, a Treasurer or Investment Officer of a public agency, and two at-large public members. This last member category proved to be a recruitment challenge. Numerous financial professionals were contacted over several months, and although a

number of possible members expressed personal interest and willingness to serve on the Committee; they were unable to participate due to potential conflicts of interest in connection with the business of their companies with public agencies.

A prime example of this situation involved an independent investment advisor who was initially able to become a member of the Committee until his firm was acquired by a large Wall Street firm. This individual was then deemed to be ineligible to become a member of the Committee, and must also resign his current seat on the Orange County Treasury Oversight Committee.

Attached is a list (Attachment 2) of recommendations for appointment to the Investment Oversight Committee by member category. Staff requests that the Commission approve the membership appointments so that the Committee can meet during April to review the Commission's Investment Policy Statement and provide any input to the Commission when the Commission reviews the Investment Policy Statement at your May 2, 2007 meeting.

Also at your May meeting, the commission will be requested to renew appointment of the Commission Treasurer and delegation of investment responsibility for a one-year period as required by Government Code Section 53607.

Additionally, staff has retained Mr. Jim Martling of Sperry Capital, Inc. to conduct a thorough review of the Commission's Investment Policy and existing investment structure and provide findings and recommendations for improvements to the Oversight Committee and for consideration by the Commission during the Commission's June retreat.

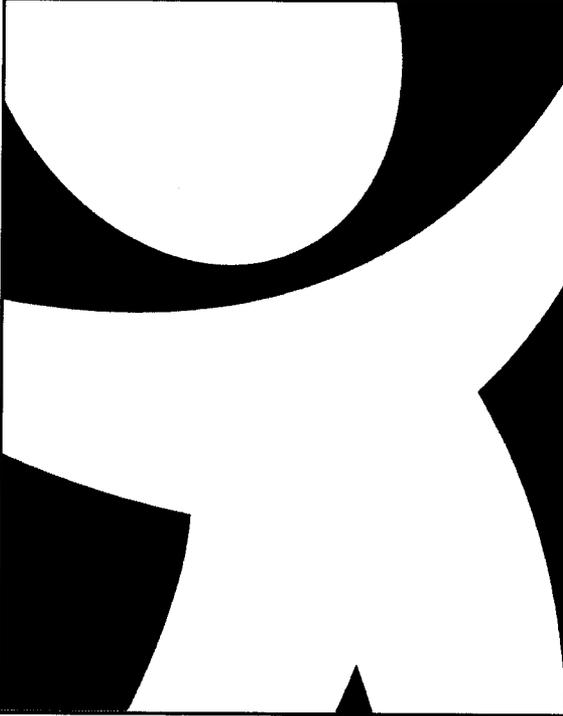
RECOMMENDED ACTION:

Approve appointments to the Commission's Investment Oversight Committee as presented in Attachment 2.

ATTACHMENTS:

1. Fiscal Management Action Plan, FY 2007-08
2. Proposed Commission Appointments to the Investment Oversight Committee

Contact: Steve Kozak, Chief Operations Officer



**Children and
Families
Commission
of Orange
County**

Fiscal Management
Action Plan
FY 2007-08

April 4, 2007
Agenda Item # 6

State of the Commission



- **Stabilized Revenue and Financial Position**
 - Strong long and short-term cash assets through careful fiscal management:
 - Actual revenue declines have been lower than forecasted
 - Prop 86 cigarette tax increase defeated in Nov 2006 eliminating impacts on Prop 10 revenues
 - Revised investment strategy to match returns to long-term sustainable program funding needs
 - Implemented direct matching programs, including capacity for agencies to leverage Commission grants

State of the Commission



- Contained administrative costs and improved program oversight and management:
 - Conservative budgeting and spending plans
 - Improved budgetary and financial reporting
 - Increased grantee monitoring for invoice compliance
 - Enhanced risk assessments and program audits

2

Commission Financial Position FY 06-07 Budget (as of Feb 28, 07)



- Prop 10 Revenues – 1.0% below budget
- Interest Earnings – 5.0% above budget
- Expenses – 1.7% below budget
- Administrative Costs – 3.9% of budget

3

Situational Analysis for FY 07-08



- Stable Prop 10 Revenue Stream
 - \$37-39 M per year
- Fund Balance Available
 - \$13.7 M for new priorities in FY 06-07 Budget achieved through mid-year close out of unexpended allocations
- Long-Term Commitments Account
 - \$105 M funds available
- Sustainability Reserve Fund
 - \$65 M investment portfolio
- Conservative Investment Program
 - \$6 M interest earnings per year

4

Key Budget Facts for FY 07-08



Description	FY 05/06 Budget (Actual)	FY 06/07 Budget (Year End Projection)	FY 07/08 Proposed Budget
Prop 10 Revenue Decrease	(2.10%)	(4.7%*)	(4.00%*)
% of State Tobacco Tax Allocated to CFDOC	8.39%	8.27%*	8.27%*
Average Interest Earnings Rate (Orange County Treasurer)	3%	5%*	5%*
Contributions to Reserve for Funding Cycles	\$ 500,000	\$16,000,000*	\$ 500,000*
Total Reserves as % of Total Operating Budget Funding	127%	150%*	153%*
* Estimated/Proposed			

5

Upcoming Fiscal Actions May 2, 2007



- Review & Approve following for FY 07-08:
 - Annual Strategic Plan Update
 - Ten-Year Financial Plan Update
 - Annual Business Plan and Work Plan
 - Final Adjustments to FY 06-07 Budget
 - Proposed Annual Budget for FY 07-08
 - Annual Review of Investment Policy Statement
 - Annual Appointment of Commission Treasurer

**Commission Appointments to the Investment Oversight Committee
April 4, 2007**

The Commission's Investment Oversight Committee shall consist of five (5) members as shown in the following table. The term of appointment is indefinite.

MEMBER CATEGORY	APPOINTEE
Commission Executive Director or Designee	Michael R. Ruane, Executive Director (Designee/Alternate: Steve Kozak, Chief Operations Officer/Treasurer)
Orange County Treasurer's Office	Appointee to be selected from OC Treasurer's staff by the OC Treasurer
Public Agency Treasurer or Investment Officer	Kirk Avila, Treasurer, Orange County Transportation Authority
At-Large Members (Two)	<ul style="list-style-type: none"> • Jon K. Maruya, Vice President, US Bank, Corporate Treasury Division • Don Collins, Managing Director, Capital Markets, Brookstreet Securities