Children & Families
Commission of Orange County

**Executive Officer's Report**
**May 2, 2012 Meeting**

**DATE:** April 24, 2012

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

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

**SUBJECT:** Executive Officer's Report

The Executive Officer's Report for May 2, 2012, includes the following items.

**A. Informational Items** *(Report)*

1. Financial Highlights (Attachment 1)

**B. Quarterly Investment Report** *(Report)*

As required by California Government Code Section 53646, and the Commission's Investment Policy Statement dated April 6, 2011, the Commission Treasurer submits the Quarterly Investment Report ("Report") to the Commission. The Report summarizes Commission investments in the OCIP Money Market Fund for the period January 1 through March 31, 2012. The Report also contains information on market conditions during the reporting period.

**C. Commission Meeting Calendar and Annual Planning Session** *(Report and Action)*

The Commission Chair has recommended rescheduling the Annual Planning Session to the September Commission meeting. Planning and initial work for the planning session is proposed to be accomplished through Commissioner Work groups and there will be a progress report provided at the June Commission meeting.

**D. Robert Wood Johnson Foundation Grant** *(Report)*

Recently, the Robert Wood Johnson Foundation released their 2012 *Roadmaps to Health* Community Grants process, which will support two-year local efforts among policymakers, business, education, health care, public health and community organizations to address the social and economic factors that impact the health of people in their community. The grant opportunity highlights the role of using local data to inform planning to address those factors that create healthier communities. This funding opportunity is timely in terms of having available the 2012 OC Community Indicators Report and in relation to the community review of indicator reports that was facilitated by the Commission. The Orange County Health Funders Partnerships has expressed interest in sponsoring a local application for funding. Commission staff would participate in the development of an application that would be submitted through a local fiscal intermediary; One OC or PHFE.

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714-834-5310 • FAX 949-474-2243

**E. HomeAid Orange County's Essentials for Young Lives Donation Drive** *(Report)*

*Essentials for Young Lives* is HomeAid's national donation drive held annually near Mother's Day to collect baby diapers and other essential items for mothers with babies living in homeless shelters. The Commission has partnered with HomeAid Orange County for the fifth annual donation drive that will be held May 4-11, 2012. Sheriff Sandra Hutchens is serving a second term as the *Essentials for Young Lives* Honorary Chair. Almost 200 businesses, community and government organizations throughout Orange County will serve as donation sites this year to reach the goal of collecting 500,000 items. Both VONS and UPS are active corporate sponsors for a second year and will promote in-store donations and pick up the items at the donation sites, respectively. The items will be distributed to the homeless shelters that were built in partnership with HomeAid Orange County, and supported by the Children and Families Commission.

The *Essentials for Young Lives* donation drive will also be implemented in the State Capitol in partnership with the Sacramento Region First 5 Commissions and HomeAid Sacramento. Curt Pringle & Associates is managing the distribution of donation baskets to each Legislative office, a media event at the Capitol scheduled for May 7, and the collection of the items that will be distributed to the homeless shelters in the Sacramento area. An update on the outcome of both the Orange County and Sacramento donation drives will be available in June.

**ATTACHMENTS:**

1. Financial Highlights
2. Quarterly Investment Report

Children & Families Commission of Orange County

# Financial Highlights
# As of March 31, 2012

**Comparison of Budget vs. Actual**
**Fiscal Year 2011-12**
**Unaudited**
**Period Ending 03/31/12**

| | FY 2011-12 Amended Budget | FY 2011-12 Actual | |
|---|---|---|---|
| **Financing Sources** | | | |
| Tobacco Tax Revenue | $27,369,400 | $17,380,762 | 63.5% |
| Interest Earnings | 500,000 | 355,059 | 71.0% |
| Other Revenue | 1,304,238 | 511,544 | 39.2% |
| **Revenue Total** | **$29,173,638** | **$18,247,365** | |
| **Expenses** | | | |
| Healthy Children | $19,445,347 | $7,443,529 | 38.3% |
| Strong Families | 4,550,703 | 1,191,344 | 26.2% |
| Early Learning | 7,098,662 | 1,240,093 | 17.5% |
| Capacity Building* | 2,846,290 | 1,251,615 | 44.0% |
| **Program Services** | **$33,941,002** | **$11,126,581** | |
| Admin. Functions** | 3,629,618 | 2,500,527 | |
| **Total Operating Exp.** | **$37,570,620** | **$13,627,108** | |

*Includes Evaluation costs of $404,704

**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 $2,500,527 and encumbrances of $475,336 were 7.9% of the Fiscal Year 2011-12 Amended Budget of $37,570,620.

**Total Encumbrances as of March 31, 2012**

| | |
|---|---|
| Healthy Children | $12,581,414 |
| Strong Families | $3,314,532 |
| Early Learning | $6,118,195 |
| Capacity Building | $2,293,722 |
| Admin. Functions | $475,336 |

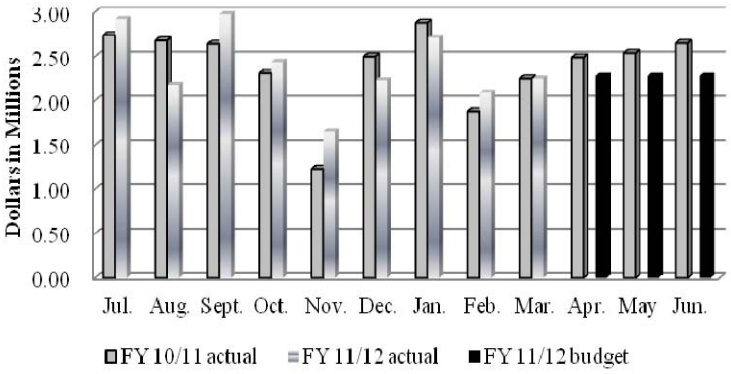
**Revenue and Cash Balance Update**

The Commission's total Tobacco Tax Revenue through March 2012 as reported by First 5 California is $21,433,965. Prop 10 revenues for July - March are approximately 4.4% higher than the estimated budget plan of $20.53 million. As of March 31, 2012, tobacco revenue has been received through January 2012.

Interest earnings for July 2011 through February 2012 are $355,059. Other revenue of $511,544 includes grant revenues for the VISTA program, MAA, ARRA Health Research reimbursements, and other miscellaneous revenue items.

As of March 31, 2012, the Commission's cash balance is $85.5 million. $51.4 million of total cash balance was previously held for AB99 and is now allocated for catalytic funding.

**Fiscal Year 2010-11 & 2011-12 Tobacco Monthly Revenues**




**Forecasted Fiscal Year 2011-12 Ending Fund Balance**
*From Commission Long Term Financial Plan*

| | |
|---|---|
| Beginning Fund Balance, July 1, 2011 | $29,975,476 |
| Forecasted Revenue | 29,923,700 |
| Budgeted Program Expenses | (33,941,002) |
| Budgeted Administrative Expenses | (3,629,618) |
| Catalytic Projects | (4,500,000) |
| **Projected June 30, 2012 Fund Balance** | **$17,828,556*** |

*based on Commission action through October 2011

**Quarterly Investment Report**
**January 1, 2012 through March 31, 2012**

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## OVERVIEW

Pursuant to California Government Code Section 53646, and the Commission's Investment Policy Statement dated April 6, 2011, the Treasurer submits this Quarterly Investment Report to the Commission. This Investment Report summarizes investment activities for the Commission for the three-month period from January 1 through March 31, 2012.

The Commission has invested in (1) the Orange County Investment Pool's Money Market Fund ("Money Market Fund") and (2) in a Specific Long-Term Investment Program ("SLTIP"), a longer term reserve fund. All funds are managed by the Orange County Treasurer's Office.

The on-going monitoring of the Commission's investment program by staff and Sperry Capital Inc., the Commission's independent financial advisor, indicates that the investments in the monthly reports are in compliance with the Commission's adopted Investment Policy Statement as well as with the California Government Code.

The overall performance of the Orange County Investment Pool's Money Market Fund for the quarter ending March 31, 2012 has tracked with money market benchmark indices. In addition, the Commission appears to have sufficient liquidity and anticipated revenues to meet the Commission's budgeted expenditures over the next six months.

## MONEY MARKET FUND

The funds in the Money Market Fund are invested for safety of principal and liquidity. The Commission's investment in the Orange County Money Market Fund as of March 31, 2012 totaled $85,470,817.74.

## SPECIFIC LONG-TERM INVESTMENT PROGRAM

No funds were invested in the SLTIP at the close of the quarter on March 31, 2012.

## MARKET CONDITIONS

**U.S. Treasury Yields:** Due in large part to the lingering effects of the slow economic recovery and the continuing European debt crisis, the first quarter of 2012 continued to see high demand for U.S. Treasury securities in general and in short-term maturities in particular.

The yield on 3-month Treasury Bills began the quarter on January 3 at 0.02%, and closed at 0.07% on March 30. The yield on 5-year Treasury Bonds began the quarter at 0.89% and closed for the quarter at 1.04% on March 30. The yield on 10-year Treasury Bonds began the quarter at 1.97% and closed for the quarter at 2.23% on March 30. The yield on 30-year Treasury Bonds

began the quarter at 2.98% on January 3 and closed higher in yield for the quarter at 3.35% on March 30.

**U.S. Treasury Yield Curve:** Treasury yields increased all across the board from January 1 to March 31, 2012.

| | Quarter Ending March 31, 2012 | Quarter Ending December 31, 2011 |
|---|---|---|
| 3-Month | 0.07% | 0.02% |
| 5-Year | 1.04% | 0.83% |
| 10-Year | 2.23% | 1.92% |
| 30-Year | 3.35% | 2.90% |

Source: Federal Reserve Statistical Release H.15

**Economic Highlights:**

The Federal Open Market Committee met in January and suggests that since then, the economy has been expanding moderately. Labor market conditions have improved further and the unemployment rate has declined notably in recent months, but remains elevated. Economists expect moderate economic growth over the coming quarters and consequently anticipate that the unemployment rate will gradually decline during 2012.

Strains in global financial markets have eased, though they continue to pose significant downside risks to the economic outlook. To support a stronger economic recovery and to help ensure that inflation, over time, is at the rate most consistent with its dual mandate, the FOMC expects to maintain a highly accommodative stance for monetary policy. In particular, the Committee decided on March 13, 2012, to keep the target range for the federal funds rate at 0 to 1/4 percent and anticipates that economic conditions, including low rates of resource utilization and a subdued outlook for inflation over the medium run, are likely to warrant exceptionally low levels for the federal funds rate at least through late 2014.

Household spending and business fixed investment have continued to advance, however, the housing sector remains depressed. Inflation has been subdued in recent months, although prices of crude oil and gasoline have increased lately. Longer-term inflation expectations have remained stable.

**COMPLIANCE MONITORING**

During the reporting period, funds in the Orange County Investment Pool were invested in compliance with applicable statements of investment policy and were free of non-compliance incidents.

**PORTFOLIO PERFORMANCE SUMMARY**

The following table presents an overview of the Orange County Investment Pool's Money Market Fund for the months ending January 31, February 29, and March 31, 2012.

| Orange County Investment Pool – Money Market Fund | | | | | |
|---|---|---|---|---|---|
| Month Ended | MMF Market Value | Gross Ave Yield for Month | OCIP Monthly Gross Yield | 3 Month UST Bill | MMF Ave Days to Mat |
| Jan 31 | $1,580,753,259 | 0.20% | 0.21% | 0.06% | 59 days |
| Feb 29 | $1,618,895,973 | 0.17% | 0.56% | 0.08% | 56 days |
| Mar 31 | $1,937,115,182 | 0.17% | 0.55% | 0.07% | 52 days |

- Merrill Lynch 1-3 Month Treasury Bill Index Total Return

**SUMMARY STATEMENTS**

Attached for further information and reference is the Statement of Activity from the March 31, 2012 Orange County Treasurer's Investment Management Report.

A. Statement of Activity: This Statement reports the beginning and ending balances of the Commission's funds invested in the Orange County Investment Pool Money Market Fund. All deposits, withdrawals, investment earnings, and administrative fees for the reporting period are also posted. The Commission's March 31, 2012 ending balance was $85,470,817.74.

**APPORTIONMENT OF INTEREST EARNINGS**

The Orange County Treasurer apportions interest earnings in the commingled pools to all investors each month. According to the Treasurer's forecast, apportionment of the Commission's interest earnings for the month of March was scheduled to be posted to the Commission's cash account in the County general ledger by approximately April 30, 2012.

**Attachments:**

A. Statement of Activity for the month of March 31, 2012

COUNTY OF ORANGE
**OFFICE OF THE TREASURER-TAX COLLECTOR**
Shari L. Freidenrich, CPA, CCMT, CPFA, CPFIM
P. O. BOX 4515
SANTA ANA, CA 92702-4515

http://bos.ocgov.com/ocinvestments
April 25, 2012

**ORANGE COUNTY CHILDREN AND FAMILIES COMMISSION**
Attn: Michael Ruane, Executive Director
17320 Redhill Avenue, #200
Irvine, CA 92614

| | |
|---|---|
| Monthly Apportionment Gross Yield: | 0.470% |
| Administration Fee: | -0.075% |
| Monthly Apportionment Net Yield: | 0.395% |

**Fund Number : 225**

# MARCH 2012 STATEMENT

## CASH IN TREASURY

### *Transactions*

| Transaction Date | Transaction Description | Tran Type | Authorized Signer | Amount |
|---|---|---|---|---|
| 03/01/12 | February 2012 Admin Fee | AF | | ($5,208.77) |
| 03/22/12 | January 2012 Interest | IN | | $43,952.84 |

### *Summary*

| | | | | |
|---|---|---|---|---|
| Total Deposit: | $2,834,584.31 | Beginning Balance: | $ | 85,041,269.61 |
| Total Withdrawal: | ($2,405,036.18) | Ending Balance: | $ | 85,470,817.74 |

## ACCRUED INVESTMENT INCOME

### *Transactions*

| Transaction Date | Transaction Description | Tran Type | Authorized Signer | Amount |
|---|---|---|---|---|
| 03/22/12 | January 2012 Interest | IN | | ($43,952.84) |
| 04/02/12 | March 2012 Interest | IN | | $34,173.26 |

### *Summary*

| | | | | |
|---|---|---|---|---|
| Total Accrual: | $34,173.26 | Beginning Balance: | $ | 84,336.17 |
| Total Payment: | ($43,952.84) | Ending Balance: | | $74,556.59 |