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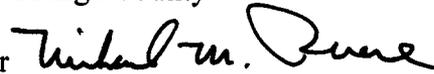
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**Executive Officers Report
June 27, 2007 Meeting**

DATE: June 14, 2007

TO: Children and Families Commission of Orange County

FROM: Michael M. Ruane, Executive Director



SUBJECT: Executive Officer Report

The Executive Officers Report for your June 27, 2007 meeting will include the following items.

A. Informational Items

1. Monthly Financial Report and Snapshot (*Enclosed*)
2. State Association Annual Conference
3. State Budget and Legislative Update

B. Year-End Contract Actions

1. Family Support Network Contract Modification (*Action*)

Family Support Network is funded by the Commission to increase the number of children learning and ready for school by conducting comprehensive Developmental Screening (service providers include but not limited to occupational and physical therapists, a mental health professional, a vision specialist, an audiologist, a speech therapist, a cognitive specialist, and Registered Nurses, and information and referral services regarding applications for medical insurance) and health evaluation services for children from birth through age five (0 - 5) and providing home intervention assistance for children identified through the developmental screenings as at risk for severe emotional disability. Family Support Network's current Commission grant award is a two year agreement that started in July of 2006 and will terminate on June 30, 2008 for an amount not to exceed \$620,000.

The Commission's standard agreement allow grantees to carryover a maximum of 10% of their first year allocation into their year two budget. In case of Family Support Network; they were able to procure an additional grant of \$20,000 and acquire more services through in-kind support resulting in a total first year savings of \$36,000. Staff is requesting Commission approval to increase the allowable carryover on the Family Support Network agreement from 10% to a maximum of 15%. The increase in the second year budget will allow them to add 3 additional community screening events bringing their total to 20 events

for FY 07/08. Additionally, Family Support Network will also expand screening services offered to include a motor skills therapist and an additional Spanish speaking translator. The goal will be to sustain these expanded service levels through Federal reimbursement programs (e.g. Medi-Cal Administrative Activities) and leveraged revenues.

2. Kidshape Foundation *(Information and Action)*

Kidshape Foundation agreed to provide services for the Commission in 2003 and 2004 under contracts 064-B-01 and 064-BR-03, but is no longer accepting referrals or doing business in Southern California; the California Secretary of State's website lists the corporation as "suspended." In accordance with past practices, the Commission provided Kidshape \$30,076.75 in start up funds at the beginning of service provision and retained 10% of invoices submitted pending clear audit documents. Kidshape is no longer able to either repay the startup payment still owed or submit audit documents. On advice from Commission Counsel, authority is requested to use the \$10,544.92 retained to offset the \$7,673.37 funds still owed and clear all balances from Commission accounts.

C. The Bridgespan Group – Outside Strategic Assessment of Commission *(Information and Action)*

At your June 6th Planning Meeting, Mike Perigo from The Bridgespan Group provided an overview describing their approach to strategic assessments and heard your perspectives on important issues to address in the upcoming assessment.

While a final scope of work has not been developed, it is anticipated that a total funding allocation of \$350,000 will be required for FY07/08. This would be split between the \$250,000 previously approved for the assessment plus up to \$100,000 for the follow-up implementation plan, which would be extremely beneficial.

Staff will return with an agreement with the Bridgespan Group for services utilizing on-time funds totaling \$350,000 for an outside strategic assessment. Funds are available from the federal reimbursement revenues (MAA), which have been received for Commission administrative costs. This would eliminate any impact upon budgeted tobacco tax revenues.

In the interim, it may be advantageous to have some initial research and data collection tasks completed this summer, before the kick-off of the assessment in October. Staff also requests authorization to reimburse The Bridgespan Group for related expenses with prior approval of the Executive Director. The maximum amount would be \$50,000, the same as the current administrative limit for consulting services contracts.

D. Proposed Commission Sponsored Projects at Orange County Great Park *(Information)*

At the June 27, 2007 Commission meeting, staff will provide an update on two projects proposed at the Orange County Great Park:

1. The Orangewood Academy for Foster Youth
2. The Center for Community Organizations (Nonprofit Service Center)

Both of these projects have now been presented to the Great Park Board of Directors and have received initial endorsements. At the present time, the following resource requirements for FY07/08 are anticipated:

- For the ***Orangewood Academy for Foster Youth*** it is anticipated that the Orangewood Children's Foundation will maintain the lead role on this project, and that the Commission Executive Director will provide ongoing support and technical assistance.
- The ***Center for Community Organizations (Non Profit Service Center)*** will require a much more active Commission role, and presents major opportunities to support both direct service providers and capacity building/start-up programs. In the past, we participated as part of a collaborative with Families Forward, Orangewood Children's Foundation and the Laguna Beach Community Clinic. During recent months, it has become evident that there could be multiple projects emerging from these initial planning efforts and that the most pressing task is to determine whether consolidated, or distinct yet coordinated projects are the best approach. The Orange County Great Park welcomed Commission participation and leadership in this next phase of the planning effort. We believe that our interests are best served by managing the consultant services for the needs assessment phase so that Commission goals and services are addressed in the planning for any facility(ies). The Executive Director of the Nonprofit Center Network (the national organization for similar centers) has agreed to help facilitate the initial assessment effort and is supported by both Great Park and Families Forward representatives. Commission staff would continue to retain any necessary initial consultant services though existing administrative authority; no formal action is required by the Commission at this time. We would return at your October meeting with a progress report and detailed work plan.

In summary, both of these projects will continue to receive priority during the upcoming Fiscal Year. We will also provide frequent status reports throughout the next several months..

E. County's Restated Retiree Medical Plan and Retiree Medical Trust *(Information)*

In September 2006, the Board of Supervisors approved a restructuring of the retiree medical plan in order to reduce long-term unfunded liability (summary attached). The County requires that all special districts, boards, and commissions participating in the County's benefits programs must have the same benefits and levels of contribution as the County and its employees.

In December 2006, the Commission approved continued participation in the County's Retiree Medical Plan, including funding for the Retiree Medical Plan up to 3.5% of salaries effective

January 1, 2007, as was required of all County agencies and departments. The Commission's approved FY 2007-08 Budget includes continued funding at the same level.

At the June 19, 2007 meeting, the Board of Supervisors approved documents to implement the Restated Retiree Medical Plan ("the Plan"), and establish an irrevocable tax-exempt trust called the Retiree Medical Trust ("the Trust") effective July 1, 2007. The Trust will receive, hold, and invest contributions from all participating agencies separate and apart from the County, and will pay out benefits to those eligible under the Plan. The Orange County Employees Retirement System will provide investment management and administration services for the Trust.

Participants in the Plan and the Trust, including the Commission, will be required to enter into a Participation Agreement. Complete details about the Participation Agreement will be forthcoming to all Plan participants. Staff will continue to monitor implementation of the Retiree Medical Plan and Trust, and will return back to the with the final agreement for approval.

Attachments:

1. Financial Highlights
2. The Bridgespan Group – Overview
3. Summary of Revised Retiree Medical Program

FINANCIAL HIGHLIGHTS

April 30, 2007

Investment Update

The Children and Families Commission of Orange County investment portfolio consisting of U.S. Treasury bills is **\$49,300,785** with laddered maturities extending through October 2009. The Commission's investment portfolio report is included in Attachment 1C. Unrealized gains and losses that are noted have not become actual. They become realized gains and losses when the security in which there is a gain or loss is actually sold. The U.S. Treasuries in the Commission's investment portfolio are held until maturity.

Revenue Update

The Children and Families Commission of Orange County received and recorded **\$37,294,949** in total revenues year to date. The detail of all revenues received is included in Attachment 1B.

- \$27,608,887 – Tobacco Tax Revenues for July 2006 through March 2007. As reported by the state, Prop 10 revenues for July 2006 through February 2007 were approximately \$516,113 or 2% lower than the year to date estimated budget plan of \$28,125,000. Commission cash receipts for tobacco tax revenue include payments through February totaling \$25,490,221 as included in Attachment 1B.
- \$5,675,645 – Interest Revenues received for July 2006 through March 2007 are approximately \$425,645 or 8.1% higher than the year to date estimated budget plan of \$5,250,000. The increase in rate of return earned by the Commission's funds on deposit at the County Treasurer has contributed to the higher than expected interest earnings.

Expenditure Update

The total actual operating expenditures and encumbrances year to date are **\$60,520,387**. Overall budgeted expenditures and encumbrances were approximately \$5,264,039 or 8% lower than the year to date current operating budget plan of \$65,784,426.

The following is an overview of the actual operating expenditures and encumbrances for the year to date ended April 30, 2007:

- \$60,520,387 – Total Year To Date Actual Operating Expenditures and Encumbrances
 - \$55,250,641 for Children's Programs
 - \$30,733,107 – Healthy Children Programs
 - \$3,876,760 – Strong Families Programs
 - \$16,221,165 – Ready to Learn (School Readiness) Programs
 - \$4,419,609 – Quality Services including Capacity Grants, AmeriCorps/VISTA, POMS (Evaluation costs of \$1,616,700)
 - \$5,269,747 for Administrative Functions

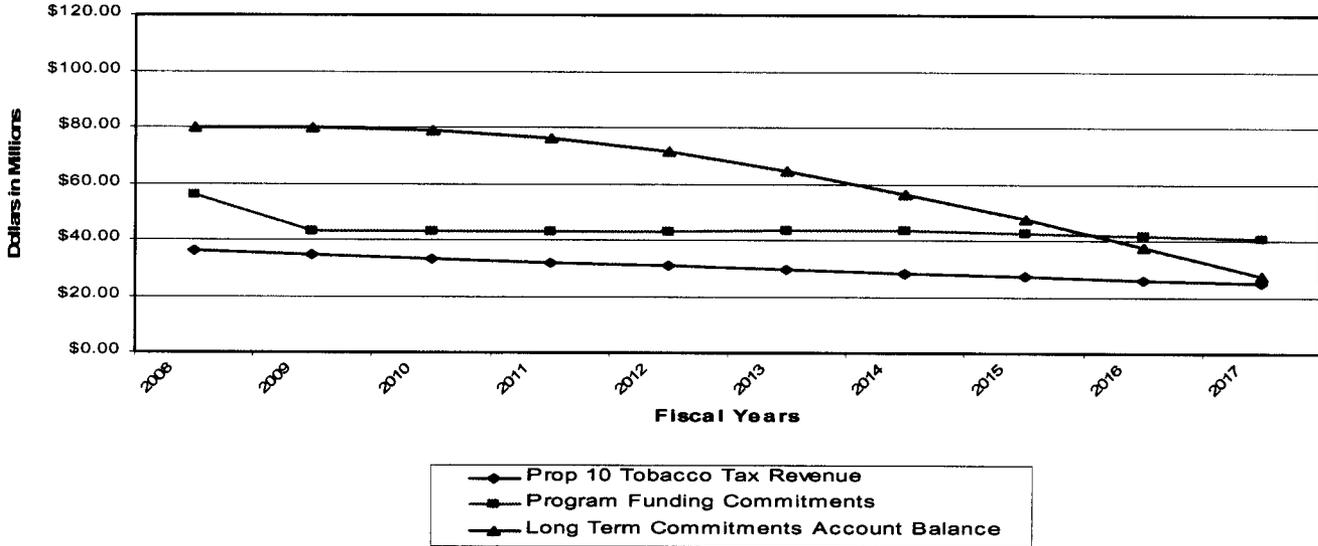
Administrative costs and functions are defined by State Commission guidelines (Fiscal Memorandum No. 05-01, dated April 14, 2006) pursuant to Chapter 284, Statutes of 2005 (AB 109). Actual Administrative expenditures and encumbrances of \$5,269,747 were 4.7% of the year to date ended April 30, 2007 Operating Budget of \$113,145,800.

Consistent with 10-Year Financial Plan

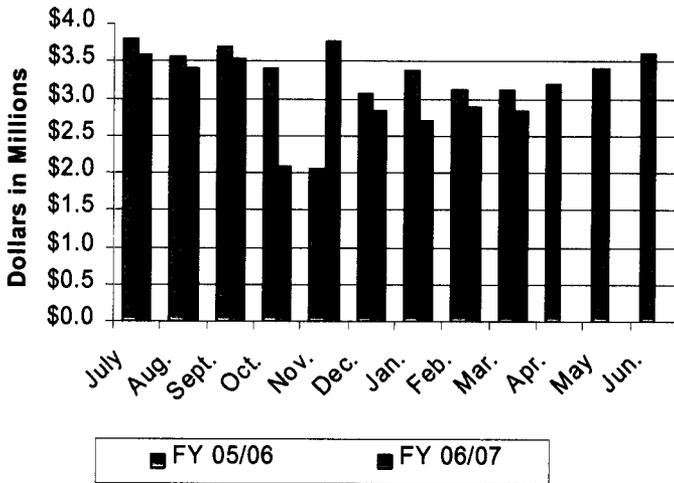
The Commission has dedicated funding for long-term support of programs consistent with the current Ten-Year Financial Plan.

Children and Families Commission of Orange County Snapshot Period Ended April 30, 2007

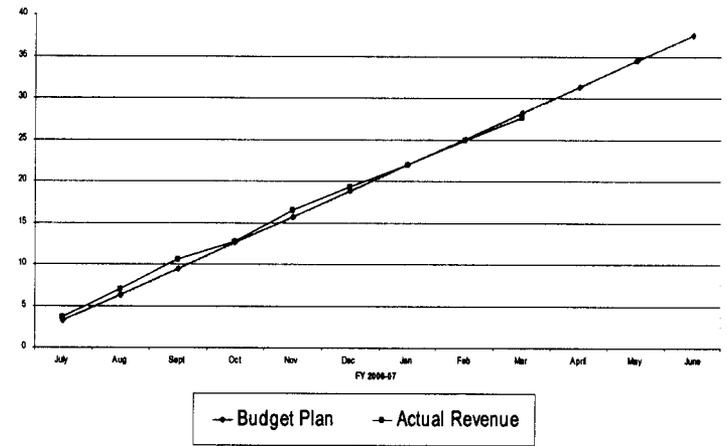
1) Ten-Year Financial Plan Projections



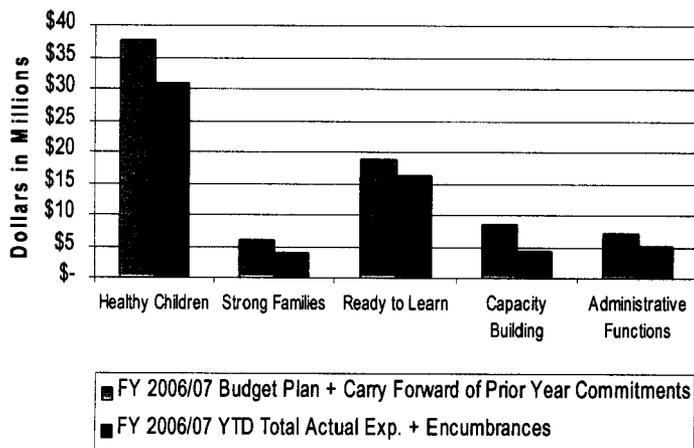
2) FYS 05/06 & 06/07 Tobacco Monthly Revenues *



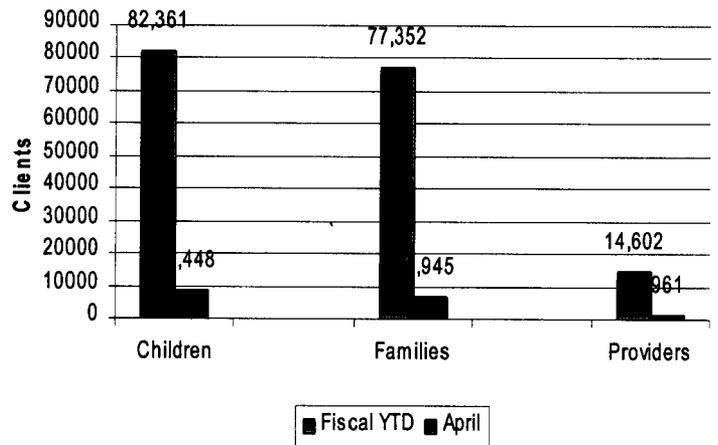
3) FY 2006-07 Cumulative Tobacco Tax Revenue Budget Plan Vs. Actuals To Date *



4) FY 2006-07 Budget Plan Vs. YTD Total Actuals



5) Clients served in April and Fiscal YTD



* SOURCE: County Funds Distribution Report (July 06 – Mar 07) First 5 California

**Children and Families Commission of Orange County
Comparison of FY 2006-07 Budget vs. Actuals - Unaudited
Period Ended 4/30/07**

High Level Summary

	FY 2006-07 (budget + carry forward for prior year commitments)	FY 2006-07 YTD Total Actual Expend. & Encumb. Thru 4/30/07	Budget vs. Actuals	Actuals % of Final Budget Amount
FINANCING				
<u>General Purpose Revenues</u>				
Tobacco Tax Revenue	37,500,000	25,490,221	-12,009,779	68%
All Other General Purpose Revenues	8,741,804	7,397,960	-1,343,844	85%
General Purpose Revenues Subtotal	46,241,804	32,888,181	-13,353,623	71%
Special Purpose Revenues	9,229,340	4,406,768	-4,822,572	48%
TOTAL REVENUES	55,471,144	37,294,949	-18,176,195	67%
Multi-Year Commitments - Operating Budget	0	0		
Fund Balance Available	43,587,439	43,587,439		
PY Carry forward Encumbrances	14,087,217	14,087,217		
TOTAL FINANCING	113,145,800	94,969,605	-18,176,195	84%
REQUIREMENTS				
<u>PROGRAM SERVICES</u>				
Annual Grant Cycle Funding	0	0	0	
Healthy Children	37,814,720	30,733,107	-7,081,613	81%
Strong Families	6,136,517	3,876,760	-2,259,756	63%
Ready to Learn	18,946,693	16,221,165	-2,725,528	86%
Capacity Building	8,471,548	4,419,609	-4,051,939	52%
TOTAL PROGRAM SERVICES	71,369,477	55,250,641	-16,118,836	77%
Administrative Functions	7,071,834	5,269,747	-1,802,087	75%
Contingency Funding	500,000	0	-500,000	0%
TOTAL OPERATING EXPENSES	78,941,311	60,520,387	-18,420,923	77%
Transfer to Long Term Commitments Account	20,516,345			
Undesignated/Unreserved	13,688,144			
TOTAL REQUIREMENTS	113,145,800	60,520,387	-18,420,923	53%
FINANCES LESS EXPENSES	0	34,449,218	34,449,217	

**Children and Families Commission of Orange County
Investment Portfolio Report
As of 04/30/07**

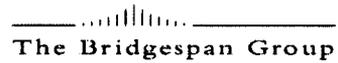
<u>Issuer</u>	<u>Purchase Date</u>	<u>Maturity Date</u>	<u>Days to Maturity</u>	<u>Yield (%)</u>	<u>CUSIP</u>	<u>Purchase Price</u>	<u>Market Value*</u>	<u>Unrealized Gain (Loss)</u>	<u>Accrued Earnings</u>	
									<u>For Month</u>	<u>To Date</u>
<u>Treasury Bond (semi-annual coupons)</u>										
U.S. Treasury Security	7/27/2006	7/31/2007	369	5.2322	912828EB2	\$ 4,933,984.40	\$ 4,985,940.00	\$ 2,220.27	\$ 21,423.75	\$ 97,905.22
U.S. Treasury Security	7/27/2006	10/31/2007	461	5.1906	912828EK2	4,942,968.75	4,983,595.00	6,234.30	21,312.29	34,969.40
U.S. Treasury Security	8/17/2006	1/31/2008	532	4.9822	912828EU0	4,957,812.50	4,976,560.00	(1,632.55)	20,507.44	74,765.41
U.S. Treasury Security	8/25/2006	4/30/2008	614	4.9197	912828FC9	4,996,093.75	4,996,095.00	(1,582.88)	20,276.48	2,250.11
U.S. Treasury Security	9/6/2006	4/30/2008	602	4.8511	912828FC9	5,001,562.50	4,996,095.00	(4,852.36)	20,007.75	50.84
U.S. Treasury Security	9/15/2006	10/15/2008	761	4.7986	912828BM1	4,835,937.50	4,885,155.00	63.43	19,307.86	55,984.67
U.S. Treasury Security	9/26/2006	1/15/2009	842	4.5856	912828BV1	4,855,468.75	4,883,595.00	(9,122.30)	18,616.42	84,831.42
U.S. Treasury Security	10/2/2006	4/15/2009	926	4.6332	912828CE8	4,821,484.40	4,860,940.00	(1,221.28)	18,623.66	47,507.48
U.S. Treasury Security	10/11/2006	7/15/2009	1008	4.7447	912828CN8	4,856,445.30	4,900,000.00	14,786.79	19,293.18	81,841.11
U.S. Treasury Security	10/16/2006	10/15/2009	1095	4.8011	912828CX6	4,803,125.00	4,863,280.00	24,735.48	19,281.27	42,796.57
Subtotal for: Treasury Bond						49,004,882.85	49,331,255.00	29,628.90	198,630.10	522,902.23
Grand Total						\$ 49,004,882.85	\$ 49,331,255.00	\$ 29,628.90	\$ 198,630.10	\$ 522,902.23

All of the above investments and any investment decisions made for the month April 30, 2007 were in full compliance with the Commission's investment policy as adopted on May 2, 2007.

The Commission had adequate cash flows for six months of operations.

Signed by: _____
Director of Finance

* Market values provided by Bloomberg



An Introduction to Bridgespan

Children & Families Commission of Orange County

Mike Perigo
June 6, 2007

This information is confidential and was prepared by The Bridgespan Group solely for the use of our client; it is not to be relied on by any 3rd party without The Bridgespan Group's prior written consent.

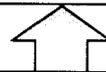
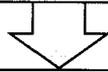
Objectives for today's discussion

- Provide an overview of the Bridgespan Group
- Describe our approach to business planning as context for our potential work together later this year
- Hear your perspectives on the most important issues and opportunities to address in our potential work together later this year

Bridgespan's mission

Bridgespan was created with a social mission:

We work to build a better world by strengthening the ability of nonprofit organizations to achieve breakthrough results in addressing society's most important challenges and opportunities



We do this by:

- Strategy consulting for clients
- Knowledge capture and dissemination
- Talent attraction and support through Bridgestar

TBG Bridgespan Overview for CFCOC 6.6.07 3

Bridgespan overview

- Bridgespan is a 501(c)(3) public charity dedicated to serving nonprofit clients exclusively
- Created by and associated with Bain & Company, Inc., but having separate operations and identity
 - Combining state-of-the-art strategy expertise with a deep understanding of the nonprofit sector
- Offices in Boston, New York, and San Francisco
 - Staff of 120 and annual budget of \$10 – 12 million
- 12 – 15 active consulting engagements
 - Over 150 assignments completed with direct service organizations, intermediaries, and foundations
- Knowledge dissemination through articles, conferences, and educational forums
 - Numerous pieces published by notable sector publications

TBG Bridgespan Overview for CFCOC 6.6.07 4

Bridgespan's clients

High-Impact Nonprofit Organizations

Help nonprofit organizations strengthen their effectiveness in the creation of compelling strategies and robust organizations

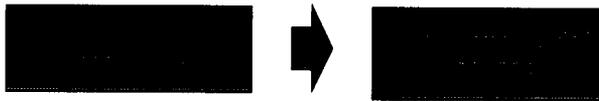
High-Impact Philanthropy

Create effective and efficient processes for matching capital to high quality organizations/ strategies

TBG Bridgespan Overview for CFCOC 6.6.07 5

The nonprofit challenge

Challenge: Maximizing impact



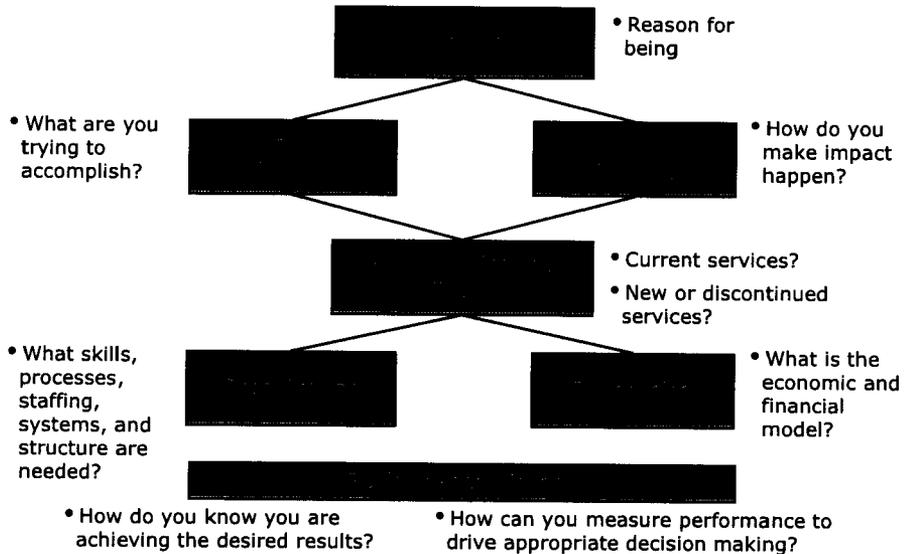
Bad news: • "Can't do everything" – resources are limited while social needs seem endless

Good news: • "Everything isn't equally worth doing" – possible courses of action yield different levels of impact

Imperative: • Achieve tightest fit between actions and objectives for impact, given key factors:
- Magnitude and nature of need
- Relative strengths and capabilities
- Resource requirements and availability

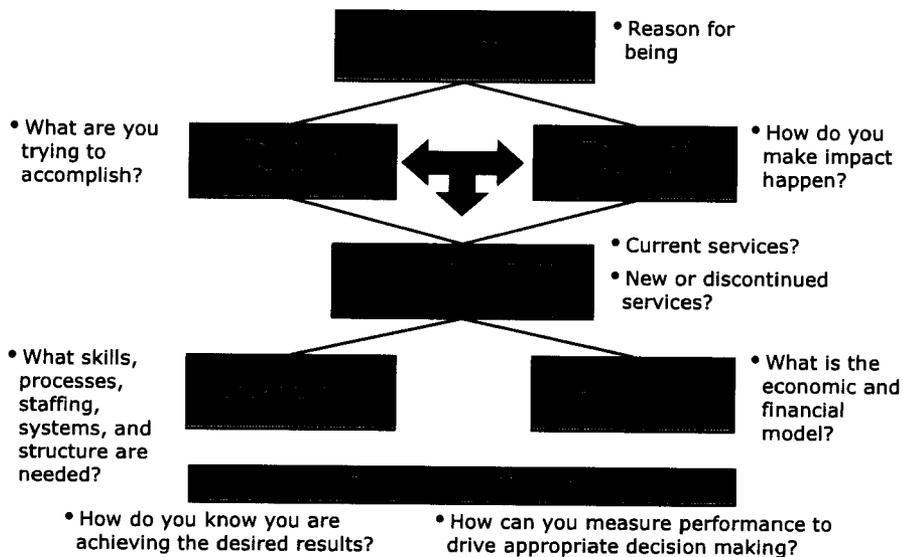
TBG Bridgespan Overview for CFCOC 6.6.07 6

Framework for nonprofit strategy



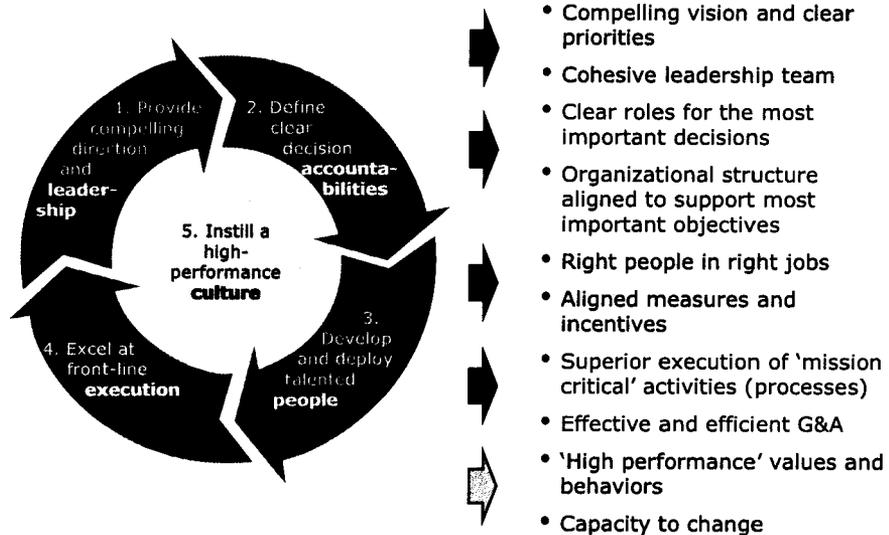
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Area of focus: Maximizing impact



TBG Bridgespan Overview for CFCOC 6.6.07 8

Area of focus: Organizational excellence



Bridgespan approach to consulting

Process

- Fact-based & data-driven
- Strategic issues with implementation focus
- Results oriented
- Learning shared with sector

Client Engagement

- Close collaboration
- Focus on client mission and concerns
- Long-run perspective
- Objective & direct communication

Team

- For-profit and nonprofit experience
- Scaled team (4-7 people)
 - Partner and manager
 - 1-2 Consultants (post-MBA)
 - 1-2 Senior Associate Consultants (Pre MBA)
 - 1-2 Associate Consultants (Pre MBA)

Hearing your perspectives

- How would you characterize CFCOC's success to date in fulfilling its mission?
 - What has worked well? What could work better?
- What are the biggest strategic and organizational questions that should be addressed?
- What will it take to truly "maximize impact"?
- What else would be helpful for us to know?

Retiree Medical Restructuring for Children and Families Commission Employees

- **Children and Families Commission funds cost of Retiree Medical Plan up to 3.5% effective January 1, 2007 (no employee contribution; Plan lump sum benefit frozen as of January 1, 2007)**
- **Plan Grants for employees retiring after January 1, 2007 will be reduced by 7.5% for each year retiring before 60 years of age and increased by 7.5% for each year retiring after age 60 up to age 70.**
- **Once retiree becomes Medicare eligible (eligible for both Medicare A and B), grant reduced by 50% (retirees age 65 prior to January 1, 2007 no reduction; retirees age 64 or younger prior to January 1, 2007 50% reduction once Medicare eligible – but no sooner than 1 year).**
- **Maximum increase in grant per year is 3% (vs. 5%) effective January 1, 2008.**
- **Split the pool for health plan premiums (actives/retirees) effective January 1, 2008.**
- **County to establish Trust to fund Retiree Medical Plan effective January 1, 2007. Contributions to the Trust are irrevocable. Use of the Trust funds is limited to paying benefits under the Plan.**