Children & Families
Commission of Orange County

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BOARD OF SUPERVISORS

Executive Officer's Report
September 1, 2010 Meeting

DATE: August 20, 2010

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 September 1, 2010, will include the following items.

A. Informational Items *(Report)*

1. Financial Highlights are not included this month since audited financial statements will be presented at October meeting.
2. State Budget and Legislative Update

B. Quarterly Investment Report *(Report)*

As required by California Government Code Section 53646, and the Commission's Investment Policy Statement adopted by the Commission on March 3, 2010, the Commission Treasurer submits the Quarterly Investment Report (Attachment 2) to the Commission. The Report summarizes Commission investments in the Orange County Investment Pool Money Market Fund for the period April 1 through June 30, 2010. The Report also contains information on market conditions during the reporting period.

C. Renewal of Churm Media Partnership *(Report and Action)*

While the primary focus of Commission funding is direct services, there are many prevention programs such as child health and safety that are best accomplished through broader community education and awareness. Specifically, immunization rates, drowning prevention and early identification of developmental delays can be improved through effective community education. These efforts can be most effective when executed in partnership with Commission sponsored programs and child development health professionals in Orange County.

This past year, we have partnered with Churm Media to assist the Commission in our efforts to reach key stakeholders and informing them of the impact of successful Commission sponsored programs. The Churm Media team has been instrumental in guiding the Commission's *10 People Making a Difference in the Lives of Young Children* campaign, and putting a face on a few of the many individuals who serve so tirelessly on behalf of Orange County's children.

As this campaign winds down in November, a follow-up campaign has been proposed focusing on children whose lives were changed because of Proposition 10 investments. Once again our goal is to create awareness of programs and services available to young children

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throughout Orange County, reinforce the importance of early intervention, and seek first person testimonials from the children and parents.

Through the partnership with Churm Media, content about the Commission is provided for OC Family/OC Metro magazines and for several of their website pages including:

- OC Family Mom's blog
- Storytime
- Resource Directory
- Link to Children and Families Commission web page
- Contributions to the calendar

During this past year, OC Family posted numerous articles and information regarding a number of issues important to the Commission and our key audiences. We will continue to provide content in our three focus areas: health, early learning and strong families. The costs of the renewed partnership with Churm Media are in the current budget, will not exceed $30,000, and will be limited to direct costs. The Commission will continue to benefit from the in-kind promotional opportunities, particularly via the web.

D. Annual O.C. Community Indicators Report - Approve Partnership with Gallup, Inc. and Authorize Reimbursement of Costs for Orange County Data *(Report and Action)*
Gallup, Inc. has an extensive array of both qualitative and quantitative data on counties and regions in the United States, including the Well-Being Index for health and basic access. Although most known for the "Gallup Poll", Gallup, Inc. has extensive databases for a variety of indicators. However, in the case of some key data sets, Orange County is included with Los Angeles so we cannot include comparative data in our annual reports, including the O.C. Community Indicators.

As part of our lead role in the 2011 O.C. Community Indicators effort, the Commission coordinates some of the data and reports for the annual report. Having the Gallup data broken down for Orange County would be greatly beneficial and eliminate other research needs and potential costs. Gallup representatives are willing to provide the Orange County breakdown, and we would be responsible for reimbursement of the direct costs. These costs would not exceed $2,500 and will be confirmed at an upcoming meeting. Funds are available within the budget for the O.C. Community Indicators project for this action.

E. Capital Projects (Long-Term Service Agreements) Update *(Report)*
An update on two capital projects related to long-term service agreements currently under construction is provided below.

1. **Boys & Girls Club of Huntington Valley – New Child Development Center** – The Boys & Girls Clubs of Huntington Valley successfully secured a Letter of Credit in the amount of $750,000 and we were able to transfer the payment of $750,000 on August 19, 2010 as payment in advance for services to be provided at the new Child Development Center on the campus of Golden West College. Construction on the facility is continuing to progress. The framing has been completed and they are now roughing in the plumbing and electrical systems as well as completing the drywall and

duct installation. The expected completion date for the Child Development Center is November 2010.

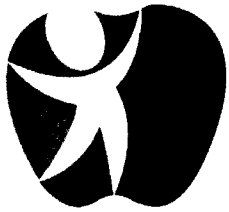
There will be budget adjustments for this project presented as part of the October Mid-Year Budget actions to reflect the transfer of funds from capital reserves.

2. **YMCA Santa Ana Aquatics and Wellness Center** – The project has been delayed due to issues with the design and building plans, consultant and vendor changes, and the Department of State Architecture requirements. The overall construction completion date has been moved back from September 30, 2010 to October 31, 2010 and a contract modification has been processed to update the construction completion date. Until the new pools are completed, the YMCA Santa Ana is continuing to provide aquatics programs at other pools, including a Parent and Child Water Safety/Drowning Prevention class for over 40 families in June, over 75 families in July, and is projecting to serve over 200 families by the end of summer. The YMCA also hosted a special event for over 200 people on childhood drowning and the importance of "Life Skills" through swim lessons that featured Olympic Gold Medalists, Rowdy Gaines and Cullen Jones.

ATTACHMENTS:

1. Quarterly Investment Report

Quarterly Investment Report



Children & Families
Commission of Orange County

For the Period April1 through June 30, 2010

Children & Families
Commission of Orange County

Quarterly Investment Report
April 1, 2010 through June 30, 2010

OVERVIEW

Pursuant to California Government Code Section 53646, and the Commission's Investment Policy Statement adopted on March 3, 2010, the Treasurer submits the Quarterly Investment Report to the Commission. The Investment Report summarizes investment activities for the Commission for the three-month period from April 1 through June 30, 2010.

The Commission has invested solely in (1) the Orange County Investment Pool's Money Market Fund ("Money Market Fund"), and (2) the Sustainability Fund is invested in a Specific Long-Term Investment Program ("SLTIP"). 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 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 has tracked with money market benchmark indices. In addition, the Commission appears to have sufficient liquidity together with 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 liquidity. The Commission's investment in the Orange County Money Market Fund as of June 30, 2010 totaled $118,825,239.

SPECIFIC LONG-TERM INVESTMENT PROGRAM

On March 3, 2010, the Commission considered recommendations formulated by the Commission's Investment Oversight Committee at their January and February meetings, and authorized the short-term repositioning of SLTIP funds (approximately $35 million) to the Money Market Fund to improve the overall performance of the Commission's investment funds. On March 8, 2010, the seven U.S. Treasury securities in the SLTIP were sold and the proceeds were invested in the Money Market Fund pending Commission consideration of alternative investment strategies for the SLTIP. Therefore, no funds were invested in the SLTIP at the close of the quarter on June 30, 2010.

MARKET CONDITIONS

U.S Treasury Yields: Due in large part to the lingering effects of the credit and liquidity crisis, the second quarter of 2010 continued to see high demand for U.S. Treasury securities. The yield on 3-month Treasury Bills began the quarter on April 1 at 0.16%, dropped to 0.07% on June 14, and closed at 0.18% on June 30. The yield on 10-year Treasury Bonds began the quarter at 3.89% and closed for the quarter at 2.97% on June 30.

U.S Treasury Yield Curve: It is important to note that the widely watched 10-year U.S. Treasury Bond exploded in value and dropped from a yield of 3.84% almost 100 basis points to close the quarter to yield 2.97%. The large increase in value can be traced in large part to global credit fears caused by concerns over European banks and their loan exposure to Greece, Portugal,
Italy, and Spain.

	Quarter Ending June 30, 2010	Quarter Ending March 31, 2010
3 Month	0.18%	0.16%
5 Year	1.79%	2.55%
10 Year	2.97%	3.84%
30 Year	3.91%	4.72%

Source: Federal Reserve Statistical Release H.15

Economic Indicators

The domestic economy slowed noticeably in the second quarter, which has awakened concerns about the speed and sustainability of the economic recovery. The slowdown in second quarter real gross domestic product (GDP) growth to 2.4% has reinforced a widespread impression that this recovery is "different". Despite the modest second quarter GDP growth, unemployment rates remain very high and consumer spending has dropped.

Although there is a widespread impression that this recovery is the weakest recovery in the postwar era, it is not the worst recovery in the past sixty-five years. Since January 2009, the current recovery has outpaced the last two recoveries (1990/1991 and 2001) in terms of real GDP growth and profits.

Although this recovery clearly has room for improvement, particularly in job creation and household income growth, most economists quoted in the financial press in June think we are not headed for a "double dip" recession.

Unemployment

National unemployment was 9.5% in June. The California unemployment rate was 12.3%, and the Orange County unemployment rate was 9.5% in June 2010.

COMPLIANCE MONITORING

During the reporting period, funds in the OCIP 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 April 30, May 31, and June 30, 2010.

Orange County Pool – Money Market Fund					
		Monthly Average Yields			CNTY MMF AVG
Period Ending	Pool Market Value	CNTY MMF	OCIP Net	MMF Avg	Days to Mat
June 30	$1,706,187,007	0.34	0.83	0.15	58 Days
May 31	$2,041,335,609	0.32	1.33	0.13	55 Days
April 30	$2,259,602,732	0.24	0.82	0.12	57 Days

SUMMARY STATEMENTS

Attached for further information and reference is the Commission's Statement of Activity from the June 30, 2010 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 Money Market Fund. All deposits, withdrawals, investment earnings, and administrative fees for the reporting period are also posted. The Commission's June 30, 2010 ending balance was $118,825,239.

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 months of May and June will be posted to the Commission's cash account in the County general ledger by approximately August 23, 2010.

Attachments:

A. Statement of Activity

Attachment A

COUNTY OF ORANGE

OFFICE OF THE TREASURER-TAX COLLECTOR

HALL OF FINANCE & RECORDS
12 CIVIC CENTER PLAZA, ROOM G76
P. O. BOX 4515
SANTA ANA, CA 92701

August 13, 2010

STATEMENT OF ACTIVITY
For the Month Ended June 30, 2010

Orange County Children and Families Commission
c/o Michael Ruane, Executive Director
17320 Redhill Ave #200
Irvine, CA 92614

Cash in Treasury - Fund 225

Date / Description	Beginning Balance	Deposits	Withdrawals	Investment Income	Treasury Admin Fee	Ending Balance
	$120,240,303.34	$2,784,755.67	($4,269,976.27)			
06/01/10, May Admin Fee					(10,642.72)	
06/17/10, April Interest				80,799.18		
	$120,240,303.34	$2,784,755.67	($4,269,976.27)	$80,799.18	($10,642.72)	$118,825,239.20

Accrued Investment Income - Fund 225

Date / Description	Beginning Balance	Accrual	Payment	Ending Balance	Apportionment Annualized Yield (Gross)
	$219,230.45				
06/17/10, April Interest			(80,799.18)		
07/01/10, June Interest		88,729.76			
	$219,230.45	$88,729.76	($80,799.18)	$227,161.03	0.888%, June