Children & Families
Commission of Orange County

Executive Officers Report
November 5, 2008 Meeting

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CLERK OF THE BOARD
ORANGE COUNTY
BOARD OF SUPERVISORS

DATE: October 27, 2008

TO: Children and Families Commission of Orange County

FROM: Michael M. Ruane, Executive Director

SUBJECT: **Executive Officer Report**

The Executive Officers Report for November 5, 2008 will include the following items.

A. Informational Items *(Report)*

1. Financial Highlights (included in Attachment 1)
2. State Association and State Commission Meetings (Attachment 2)
3. Upcoming Community Events:
   - November 6 – Conditions of Children – Community Forum
   - November 12 – Launch of Early Literacy Campaign for Southern California Region

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 May 7, 2008, the Commission Treasurer submits the Quarterly Investment Report to the Commission (Exhibit A). The Investment Report summarizes Commission investments in both the OCIP and the SIP, for the period July 1 through September 30, 2008. The Report also contains information on market conditions during the reporting period.

C. Collaborative Capacity Grant Program with Local Foundations *(Report)*

At your July meeting, your Commission received a report on the Collaborative Capacity Building project and approved participation in the program.

The Volunteer Center of Orange County has agreed to serve as the Fiscal Sponsor for this project sponsored by the Orange County Funders Roundtable. The Commission is participating with other funders such as Pacific Life, Irvine Health Foundation and the Community Foundation to fund the initial stage of the project targeting Orange County's primary safety-net service providers. This will include an assessment of each of the organizations that looks specifically at how to optimize their organization's performance. An initial payment of $10,000 has been made to the Volunteer Center. The Volunteer Center will provide accounts payable, accounts receivable, financial reporting, contract coordination and related services for this project.

17320 Redhill Avenue, Suite 200 · Irvine, California · 92614
714-834-5310 · FAX 949-474-2243

The initial assessment of the 11 organizations will be completed by this month. Staff will return at your December meeting with a work plan and budget for the capacity building grant phase of the project. The Commission would only provide funding for the 3-4 organizations serving young children and their families.

D. Grantee Budget and Cash Flow Issues *(Report)*
We will provide a progress report and any actions necessary to address the impact of the economic downturn and state and local funding cuts on organizations that provide critical services. We will also include an update on Commission sponsored grant and fund development services.

Attachments:

1. Financial Highlights
2. Prop 10 Highlights

FINANCIAL HIGHLIGHTS
September 30, 2008

Investment Update

The Children and Families Commission of Orange County investment portfolio consisting of U.S. Treasury bills is **$40,346,875** with laddered maturities extending through July 2010. 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 **$867,993** in total revenues year to date. The detail of all revenues received is included in Attachment 1B.

- $3,016,280 – Tobacco Tax Revenues for August 2008. As reported by the state, Prop 10 revenues for July 2008 through August 2008 are approximately $454,331 (reported but not yet received) or 7.9% higher than the year to date estimated budget plan of $5,760,000.

- $810,197 – Interest Revenues received for July 2008 through August 2008 are approximately $160,197 or 24.6% higher than the year to date estimated budget plan of $650,000. 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 **$53,336,424**. Overall budgeted expenditures and encumbrances were approximately $18,337,430. The variance is due to the reconciliation of provisional payments issued in June 2008 and the implementation of multi-year encumbrances within the general ledger.

The following is an overview of the actual operating expenditures and encumbrances for the year to date ended September 30, 2008:

- $53,336,424 – Total Year To Date Actual Operating Expenditures and Encumbrances
  - $50,358,850 for Children's Programs
    - $31,749,510 – Healthy Children Programs
    - $3,753,517 – Strong Families Programs
    - $11,940,381 – Ready to Learn (School Readiness) Programs
    - $2,915,442 – Quality Services including Capacity Grants, AmeriCorps/VISTA, POMS (Evaluation costs of $1,920,878)
  - $2,977,573 for Administrative Functions

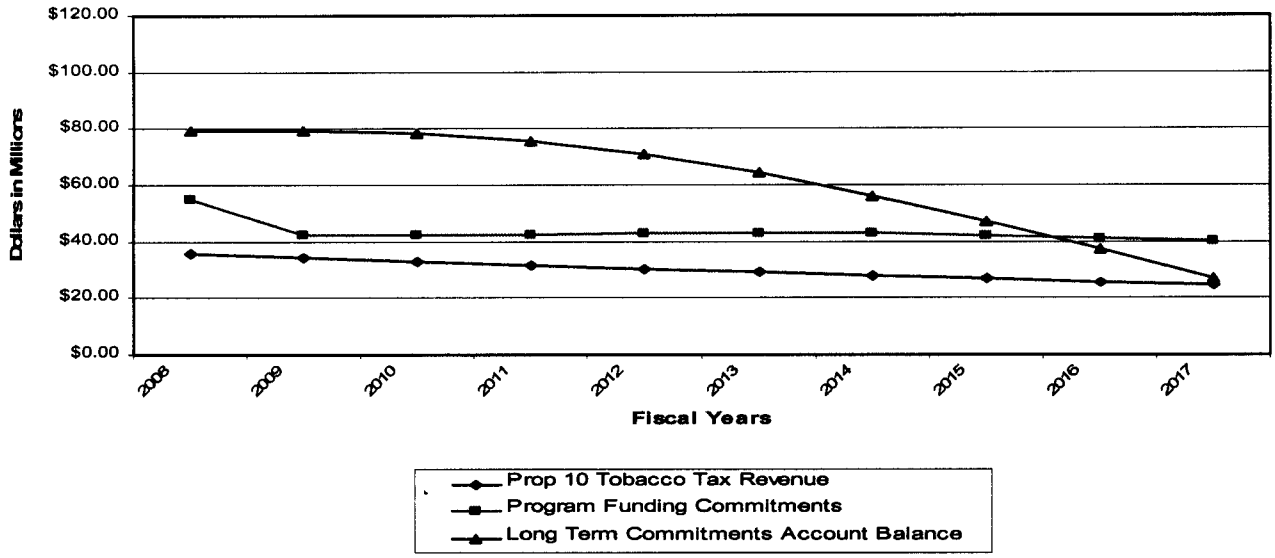
Administrative costs and functions are defined by State Commission guidelines (Fiscal Memorandum No. 05-01, dated April 14, 2006) pursuant to Chapter 284, Statutes of 2005 (AB 109). Actual Administrative expenditures and encumbrances of $2,977,573 were 3% of the year to date ended September 30, 2008 Operating Budget of $99,879,723.

Consistent with 10-Year Financial Plan

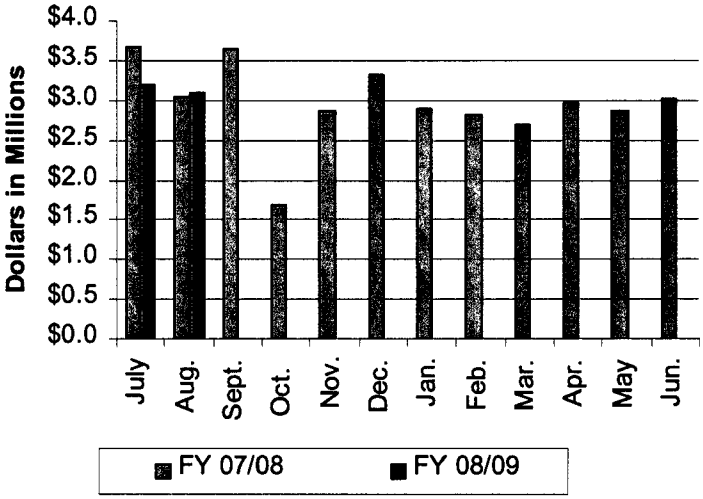
The Commission has dedicated funding for long-term support of programs consistent with the current Ten-Year Financial Plan.

Children and Families Commission of Orange County
Snapshot Period Ended September 30, 2008

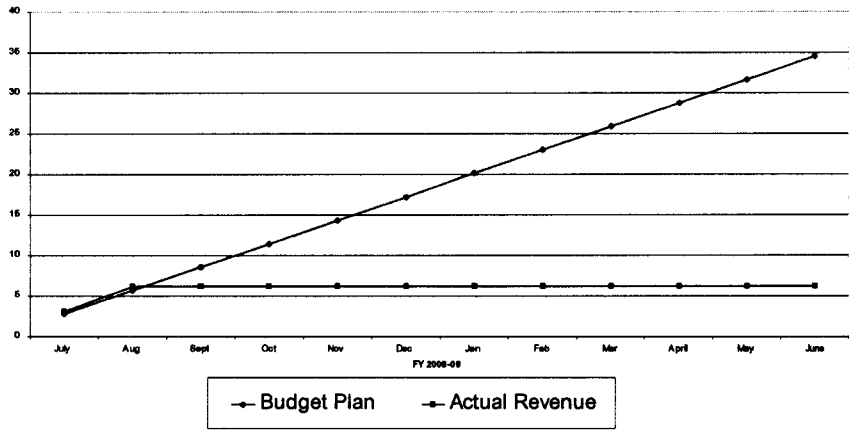
1) Ten-Year Financial Plan Projections



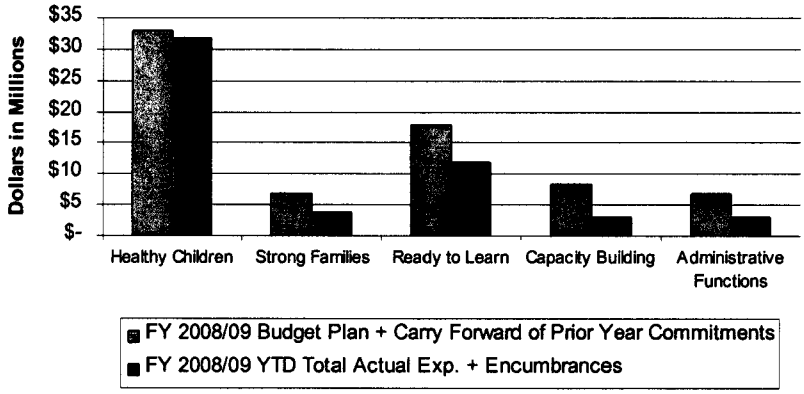
2) FYS 07/08 & 08/09 Tobacco Monthly Revenues *



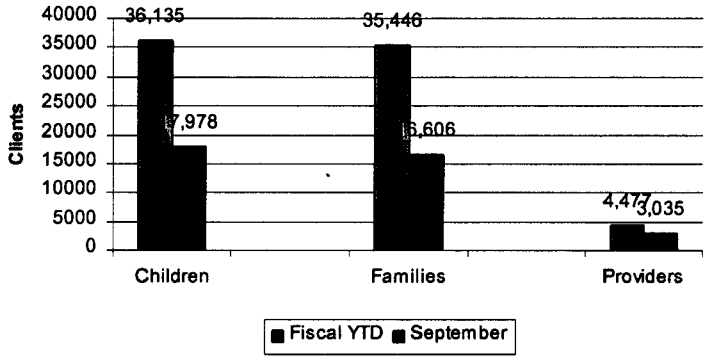
3) FY 2008-09 Cumulative Tobacco Tax Revenue Budget Plan Vs. Actuals To Date *



4) FY 2008-09 Budget Plan Vs. YTD Total Actuals



5) Clients served in September and Fiscal YTD



* SOURCE: County Funds Distribution Report (08) First 5 California

Attachment 1B

Children and Families Commission of Orange County
Comparison of FY 2008-09 Budget vs. Actuals - Unaudited
Period Ended 8/31/08

High Level Summary

	FY 2008-09 (budget + carry forward for prior year commitments)	FY 2008-09 YTD Total Actual Expend. & Encumb. Thru 8/31/08	Budget vs. Actuals	Actuals % of Final Budget Amount
FINANCING				
General Purpose Revenues				
Tobacco Tax Revenue	34,560,000	190,332	-34,369,668	1%
All Other General Purpose Revenues	4,370,000	769,354	-3,600,646	18%
General Purpose Revenues Subtotal	38,930,000	959,686	-37,970,314	2%
Special Purpose Revenues	4,918,955	-91,693	-5,010,648	-2%
TOTAL REVENUES	43,848,955	867,993	-42,980,962	2%
Multi-Year Commitments - Operating Budget	0	0		
Fund Balance Available	47,964,762	43,587,439		
PY Carry forward Encumbrances	8,066,006	14,087,217		
TOTAL FINANCING	99,879,723	58,542,649	-42,980,962	59%
REQUIREMENTS				
PROGRAM SERVICES				
Healthy Children	33,120,778	31,749,510	-1,371,268	96%
Strong Families	6,884,109	3,753,517	-3,130,591	55%
Ready to Learn	17,808,799	11,940,381	-5,868,418	67%
Capacity Building	8,298,116	2,915,442	-5,382,674	35%
TOTAL PROGRAM SERVICES	66,111,802	50,358,850	-15,752,952	76%
Administrative Functions	6,737,921	2,977,573	-3,760,348	44%
Contingency Funding	500,000	0	-500,000	0%
TOTAL OPERATING EXPENSES	73,349,723	53,336,424	-20,013,299	73%
Transfer to Long Term Commitments Account	10,000,000	0	-10,000,000	0%
Undesignated/Unreserved	16,530,000			
TOTAL REQUIREMENTS	99,879,723	53,336,424	-30,013,299	53%
FINANCES LESS EXPENSES	0	5,206,225	5,206,225	

Children and Families Commission of Orange County
Investment Portfolio Report
As of September 30, 2008

Issuer	Purchase Date	Maturity Date	Days to Maturity	Yield (%)	CUSIP	Cost	Market Value	Unrealized Gain (Loss)	To Date
Treasury Bond (semi-annual coupons)									
U.S. Treasury Security	9/15/2006	10/15/2008	761	4.7986	912828BM1	4,835,937.50	5,003,905.00	6,923.23	233,192.49
U.S. Treasury Security	9/26/2006	1/15/2009	842	4.5856	912828BV1	4,855,468.75	5,033,595.00	51,790.15	160,779.03
U.S. Treasury Security	10/2/2006	4/15/2009	926	4.6332	912828CE8	4,821,484.40	5,042,190.00	79,975.16	212,878.66
U.S. Treasury Security	10/11/2006	7/15/2009	1008	4.7447	912828CN8	4,856,445.30	5,071,095.00	111,968.21	141,098.61
U.S. Treasury Security	10/16/2006	10/15/2009	1095	4.8011	912828CX6	4,803,125.00	5,076,560.00	144,702.12	206,652.96
U.S. Treasury Security	4/30/2008	1/31/2010	641	2.3023	912828HP8	4,984,779.15	5,014,060.00	25,624.05	21,557.62
U.S. Treasury Security	4/30/2008	4/30/2010	730	2.3462	912828HX1	4,978,515.65	5,025,000.00	41,952.04	49,238.59
U.S. Treasury Security	7/31/2008	7/31/2010	730	2.6410	912828JF8	5,010,546.90	5,080,470.00	70,818.86	22,270.00
Subtotal for: Treasury Bond						39,146,302.65	40,346,875.00	533,753.82	1,047,667.96
Grand Total						$ 39,146,302.65	$ 40,346,875.00	$ 533,753.82	$ 1,047,667.96

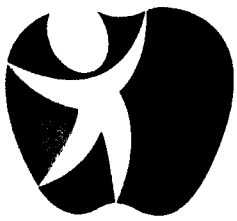
All of the above investments and any investment decisions made for the month September 30, 2008 were in full compliance with the Commission's investment policy as adopted on May 2, 2007.

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

Signed by:_____

Director of Finance

Quarterly Investment Report



Children & Families
Commission of Orange County

For the Period July 1 – September 30, 2008

Exhibit A

Quarterly Investment Report
July 1, 2008 through September 30, 2008

OVERVIEW

Pursuant to California Government Code Section 53646, and the Commission's Investment Policy Statement adopted on May 7, 2008, 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 July 1 through September 30, 2008.

Currently the Commission invests 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 ("SLP"). All funds are managed by the Orange County Treasurer's Office.

The funds in the Money Market Fund are invested for liquidity. The Sustainability Fund is invested in specific U.S. Treasury Securities, with maturities not to exceed three years. The U.S. Treasury Notes and Bills are invested in a "laddered" maturities approach.

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 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 Commission's investment in the Orange County Money Market Fund on September 30, 2008 totaled $107,581,788. On September 23, the Orange County Treasurer reported that over the last twelve months, the Treasurer's investment team has restructured the composition of the OCIP investment portfolios. The table below shows that currently, 61% of the County's holdings are invested in U.S. government bonds and Agencies.

TOP THREE SECTOR HOLDINGS – OCIP MONEY MARKET FUND			
June 30, 2007		**September 17, 2008**	
Financials	80%	Government Agencies	61%
Municipal Debt	8%	Financials	11%
Industrial	2%	Consumer Cyclicals	9%

SPECIFIC LONG-TERM INVESTMENT PROGRAM

The market value (i.e. the price of each security at the close of the market on the last trading day of the month) of the U.S. Treasury Securities in the SLP was $40,346,875 on September 30, 2008, with an average yield of 3.9%. As the individual Treasuries mature, the proceeds are reinvested by the Orange County Treasurer. One of the Treasury Notes matured on July 31, 2008, and the proceeds were used to purchase another Treasury Note with a maturity date of July 31, 2010, yielding 2.64%, consistent with the laddered investment strategy. The next Treasury security to mature will occur on January 15, 2009.

MARKET CONDITIONS

U.S Treasury Yields: Due in large part to the continuing concern over subprime mortgage securities, the second quarter continued to see volatile rates for U.S. Treasury securities. The yield on 10-year Treasury Notes began the quarter at 4.01%, peaked at 4.09% on July 26, and closed at 3.85%.

Yield Curve: The U.S. Treasury yield curve reflected uncertainty at the end of the third quarter of 2008. On June 30, three-month U.S. Treasury Bills yielded 2.28%, the 10-year U.S. Treasury Note yielded 3.85%, and the 30-year U.S. Treasury Bond yielded 4.31%.

Markets & Rates: September was a month to remember in the capital markets. Lehman Brothers, the fourth largest United States investment bank, declared bankruptcy September 15. The concerns in the capital markets caused a massive shift of investments into short-term Treasury Bills. As a consequence, the 90 day U.S. Treasury Bill actually traded at negative yields during the day and closed at three basis points on September 17.

The sharp declines in the world's financial markets in September prompted a coordinated response from the global central banks in early October. The Federal Reserve, European Central, Bank of England, Bank of Canada, Sweden's Riksbank, and the Swiss National Bank each reduced their benchmark lending policy rate by 50 basis points. The global policy makers appear to have finally accepted the fact that the credit crisis is not just a United States problem. The interconnectedness of the world's financial system and concerns about counterparty risk internationally required a collective action.

The United States economy appears to have slipped into a recession under the weight of the reduced credit availability, rising unemployment, falling home values, and steep decline in domestic stock prices. Real GDP was probably flat in the third quarter of 2008 and is expected to contract at an annual rate of 3% in the fourth quarter of 2008 as consumers and businesses retrench. Economists seem to agree that there is a more protracted downturn in consumer spending as households seek to lower spending to offset their declining net worth.

STRUCTURED INVESTMENT VEHICLES ("SIVs")

The County's position in the Sigma Finance SIV was sold on September 17, 2008, at a slight gain. The OCIP Extended Fund holds $50 million of Whistlejacket Capital LLC securities scheduled to mature on January 25, 2009, and $30 million scheduled to mature on January 26, 2009.

COMPLIANCE MONITORING

During the reporting period, Commission funds in the OCIP and SLP 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 July, August, and September 2008.

Orange County Pool - Money Market Fund					
		Average Yields			
Period Ending	Total Pool Market Value	Month	Net	MMF AVG	AVG Days to MAT
July 31, 2008	$1,787,284,123	2.41%	2.80%	4.37%	50 Days
August 31, 2008	$1,175,397,363	2.51%	2.85%	4.14%	47 Days
September 30, 2008	$1,633,383,931	2.64%	2.17%	3.91%	51 Days

SUMMARY STATEMENTS

Attached for further information and reference are three statements from the September 2008 Orange County Treasurer's Investment Management Report.

A. Investment Balances Statement: The balances for all funds managed by the Treasurer are reported on this Statement. The September 30, 2008 balance of the Commission's SLP ($39,146,303), expressed as book value (i.e. cost of the investment), can be found under "Non-Pooled Investments" on page two of the Statement.

B. Statement of Activity: This Statement reports the beginning and ending balances of the Commission's funds in the Money Market Fund. All deposits, withdrawals, investment earnings, and administrative fees for the reporting period are also posted. The Commission's September 30, 2008 ending balance was $107,581,788.

C. Investment Portfolio Report: This Report presents detailed information for each of the U.S. Treasury Securities that comprise the Commission's SLP. The September 30, 2008 book value was $39,146,303 and the market value was $40,346,875.

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 ended August, 2008 will be posted to the Commission's cash account in the County general ledger by approximately November 19, 2008.

Attachments:

A. Investment Balances Statement
B. Statement of Activity
C. Investment Portfolio Report

ORANGE COUNTY TREASURER-TAX COLLECTOR
INVESTMENT POOL STATISTICS
FOR THE MONTH and QUARTER ENDED SEPTEMBER 30, 2008

INVESTMENT STATISTICS - By Investment Fund*

DESCRIPTION	CURRENT BALANCES		Average Days to Maturity	Current Yield	MONTH Average Yield	QUARTERLY Average Yield	Current NAV
O.C. Money Market Fund	MARKET Value $	1,633,383,931	51	2.65%			1.00
	COST (Capital) $	1,629,865,512					
	MONTHLY AVG Balance $	1,723,168,038			2.64%		
	QUARTERLY AVG BALANCE $	1,792,952,063				2.52%	
	BOOK Value $	1,634,014,366					
O.C. Educational Money Market Fund	MARKET Value $	1,707,114,565	52	2.50%			1.00
	COST (Capital) $	1,703,746,128					
	MONTHLY AVG Balance $	1,768,846,783			2.52%		
	QUARTERLY AVG BALANCE $	1,794,273,780				2.44%	
	BOOK Value $	1,707,681,431					
Extended Fund	MARKET Value $	2,333,839,343	393	3.48%			1.00
	COST (Capital) $	2,339,036,383					
	MONTHLY AVG Balance $	2,308,682,127			1.84%		
	QUARTERLY AVG BALANCE $	2,230,542,654				3.10%	
	BOOK Value $	2,340,406,103					
OC Extended Fund B (Whistlejacket Holdings)	MARKET Value $	69,117,440	117	NA	NA		0.86
	COST (Capital) $	80,000,000					
ALLOCATION OF EXTENDED FUNDS							
Extended Fund (X Fund)							
County's Share of X Fund	MARKET Value $	1,320,819,726	393	3.48%			1.00
	COST (Capital) $	1,323,760,954					
	MONTHLY AVG Balance $	1,258,682,127			2.04%		
	QUARTERLY AVG BALANCE $	1,180,542,654				3.20%	
	BOOK Value $	1,324,536,137					
Educational Share of X Fund	MARKET Value $	1,013,019,617	393	3.48%			1.00
	COST (Capital) $	1,015,275,429					
	MONTHLY AVG Balance $	1,050,000,000			1.59%		
	QUARTERLY AVG BALANCE $	1,050,000,000				2.99%	
	BOOK Value $	1,015,869,966					
OC Extended Fund B							
County's Share	MARKET Value $	39,116,522	117	NA	NA		0.86
	COST (Capital) $	45,275,429					
Educational Share	MARKET Value $	30,000,918	117	NA	NA		0.86
	COST (Capital) $	34,724,571					

ORANGE COUNTY TREASURER-TAX COLLECTOR
INVESTMENT POOL STATISTICS
FOR THE MONTH and QUARTER ENDED SEPTEMBER 30, 2008

INVESTMENT STATISTICS - By Investment Pool***

COMBINED POOL BALANCES (includes the Extended Fund & Extended Fund B)							
	MARKET Value	$ 2,993,320,180	203	3.00%			1.00
	COST (Capital)	$ 2,998,901,895					
County Pool	MONTHLY AVG Balance	$ 3,011,851,083			2.38%		
	QUARTERLY AVG BALANCE	$ 3,008,219,287				2.77%	
	BOOK Value	$ 3,003,825,933					
Educational Pool	MARKET Value	$ 2,750,135,100	179	2.87%			1.00
	COST (Capital)	$ 2,753,746,128					
	MONTHLY AVG Balance	$ 2,818,846,783			2.17%		
	QUARTERLY AVG BALANCE	$ 2,844,273,780				2.64%	
	BOOK Value	$ 2,758,275,968					

INVESTMENT STATISTICS - Non Pooled Investments **

DESCRIPTION	CURRENT BALANCE		BOOK BALANCE BY INVESTMENT TYPE	
Specific Investment Funds:	MARKET Value	$ 116,032,318	Interest Bearing Accounts	$ 32,557
112, 161, 225, 283, 480, 482, 483, 494, 49	COST (Capital)	$ 114,753,174	Money Market Funds	16,739,655
505, 510, 514, 546, 650	MONTHLY AVG Balance	$ 114,682,318	Repurchase Agreements	1,081,500
			John Wayne Airport Investment Pool	57,753,160
			CFCOC Investment Pool	39,146,303
				$ 114,753,174

MONTH END TOTALS

INVESTMENTS & CASH		FUND ACCOUNTING & SPECIFIC INVESTMENTS	
County Money Market Fund	$ 1,629,865,512		
County Cash	27,677,144	County Funds	$ 3,026,579,039
Educational Money Market Fund	1,703,746,128	School Funds	2,765,065,243
Extended Fund	2,339,036,383	Specific Investments	114,753,174
OC Extended Fund B	80,000,000		
School Cash	11,319,115		
Non Pooled Investments @ Cost	114,753,174		
	$ 5,906,397,457		$ 5,906,397,457

* Book Value is computed as Cost reduced by amortization of premium and increased by the accretion of discount of the Investment Portfolio. Net Asset Value (NAV) is equal to Market Value divided by Book Value.

** Specific non pooled investments are reported in compliance with Government Code Section 53646 (b)(1). Detailed descriptions are included in the inventory listing in Section VII of this report.

***The Combined Pool Balances include the County and Educational portions of the Extended Fund and Extended Fund B

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

October 22, 2008

STATEMENT OF ACTIVITY
For the Month Ended September 30, 2008

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
	$110,318,122.56	$533.85	($2,998,598.13)			
9/01/08, August Admin Fee					(9,623.02)	
9/23/08, July Interest				271,352.41		
	$110,318,122.56	$533.85	($2,998,598.13)	$271,352.41	($9,623.02)	$107,581,787.67

Accrued Investment Income - Fund 225

Date / Description	Beginning Balance	Accrual	Payment	Ending Balance	Apportionment Annualized Yield (Gross)
	$555,516.38				
9/23/08, July Interest			(271,352.41)		
10/01/08, September Interest		213,712.56			
	$555,516.38	$213,712.56	($271,352.41)	$497,876.53	2.358%, September

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(B)

Children and Families Commission of Orange County
Investment Portfolio Report
As of September 30, 2008

Issuer	Purchase Date	Maturity Date	Days to Maturity	Yield (%)	CUSIP	Cost	Market Value	Unrealized Gain (Loss)	To Date
Treasury Bond (semi-annual coupons)									
U.S. Treasury Security	9/15/2006	10/15/2008	761	4.7986	912828BM1	4,835,937.50	5,003,905.00	6,923.23	233,192.49
U.S. Treasury Security	9/26/2006	1/15/2009	842	4.5856	912828BV1	4,855,468.75	5,033,595.00	51,790.15	160,779.03
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U.S. Treasury Security	10/16/2006	10/15/2009	1095	4.8011	912828CX6	4,803,125.00	5,076,560.00	144,702.12	206,652.96
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U.S. Treasury Security	4/30/2008	4/30/2010	730	2.3462	912828HX1	4,978,515.65	5,025,000.00	41,952.04	49,238.59
U.S. Treasury Security	7/31/2008	7/31/2010	730	2.6410	912828JF8	5,010,546.90	5,080,470.00	70,818.86	22,270.00
Subtotal for: Treasury Bond						39,146,302.65	40,346,875.00	533,753.82	1,047,667.96
Grand Total						$ 39,146,302.65	$ 40,346,875.00	$ 533,753.82	$ 1,047,667.96

All of the above investments and any investment decisions made for the month September 30, 2008 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

(C)