



**Executive Officer's Report
December 1, 2010 Meeting**

DATE: November 22, 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 December 1, 2010, will include the following items.

A. Informational Items (Report)

1. Financial Highlights (included in Attachment 1)

B. State Budget and Legislative Update (Report)

At the December Meeting, we will provide a report and update on any new state budget or legislative proposals that may impact county commissions.

C. Quarterly Investment Report (Report)

As required by California Government Code Section 53646, and the Commission's Investment Policy Statement dated March 3, 2010, 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 July 1 through September 30, 2010. The Report also contains information on market conditions during the reporting period.

D. CalWORKS Stage 3 Child Care Services Update (Report)

At your November Meeting, your Commission approved an active plan in response to the Governor's veto of CalWORKS Stage 3 Child Care, including funding for Children's Home Society to coordinate a transition plan for affected families. Since that time, a court has delayed implementation of the cuts and a new timeline will be established. We will have an update at your Commission meeting.

E. CARES Plus – State Commission Matching Fund Program (Report)

The State First 5 Commission has released a Request for Application (RFA) for matching funds for the Comprehensive Approaches to Raising Educational Standards (CARES) Plus program. CARES Plus is intended to improve the quality of early care and education program through the training and professional development of teachers. We are currently reviewing the matching fund and other requirements for the program as well as its potential application to Commission sponsored initiatives such as the Anaheim Citywide Expansion

Program. The CARES program will require \$3 of local match for every \$1 of state funds. Interested local Commissions need to submit a Letter of Interest by December 13th to serve as lead agency. If the local Commission declines, a local organization can be designated as the lead agency for Orange County by December 27, 2010. We will provide a status update in a Supplemental Report.

ATTACHMENTS:

1. Financial Highlights
2. Quarterly Investment Report

FINANCIAL HIGHLIGHTS

October 31, 2010

Revenue Update

The Children and Families Commission of Orange County has received and recorded **\$5,805,250** in total revenues year to date.

- The Commission's total Tobacco Tax Revenues for September 2010 as reported by First 5 California is \$8,060,767. Prop 10 revenues for July – September 2010 are approximately 9% higher than the year to date estimated budget plan of \$7.37 million. As of October 31, \$5,612,706 has been received for July 2010.
- \$278,170 – Interest Revenues received for July 2010 through October 2010.

Expenditure Update

The total actual operating expenditures and encumbrances year to date are **\$57,601,564**.

The following is an overview of the actual operating expenditures and encumbrances for the year to date ended October 31, 2010:

- **\$57,601,564** – Total Year To Date Actual Operating Expenditures and Encumbrances
 - \$55,067,025 for Children's Programs
 - \$34,539,742 – Healthy Children Programs
 - \$12,463,278 – Strong Families Programs
 - \$4,614,599 – Ready to Learn (School Readiness) Programs
 - \$3,449,407 – Quality Services including Capacity Grants, AmeriCorps/VISTA, POMS (Evaluation costs of \$1,400,545)
 - \$2,534,538 for Administrative Functions

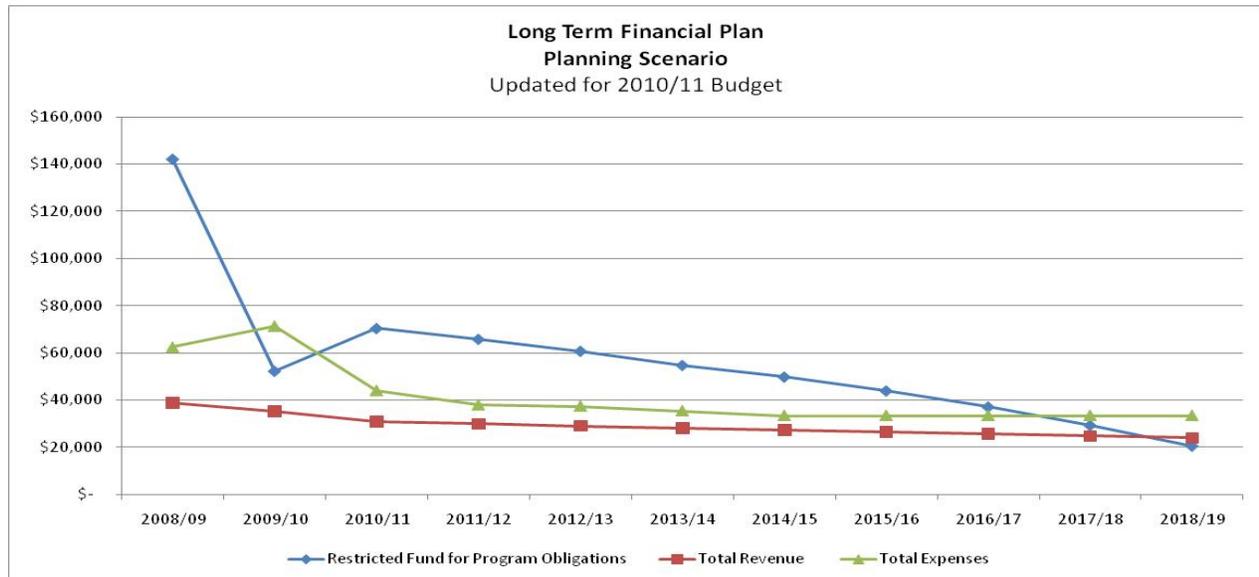
Administrative costs and functions are defined by State Commission guidelines (Fiscal Memorandum No. 05-01, dated April 14, 2006) pursuant to Chapter 284, Statutes of 2005 (AB 109). Actual Administrative expenditures and encumbrances of \$2,534,538 were 4.6% of the year to date ended October 31, 2010 Operating Budget of \$55,672,894.

Consistent with 10-Year Financial Plan

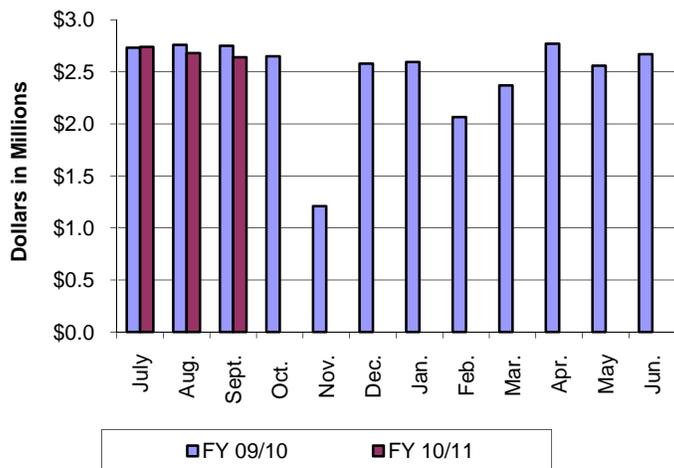
The Commission has dedicated funding for long-term support of programs consistent with the current Ten-Year Financial Plan.

Children and Families Commission of Orange County Snapshot Period Ended October 31, 2010

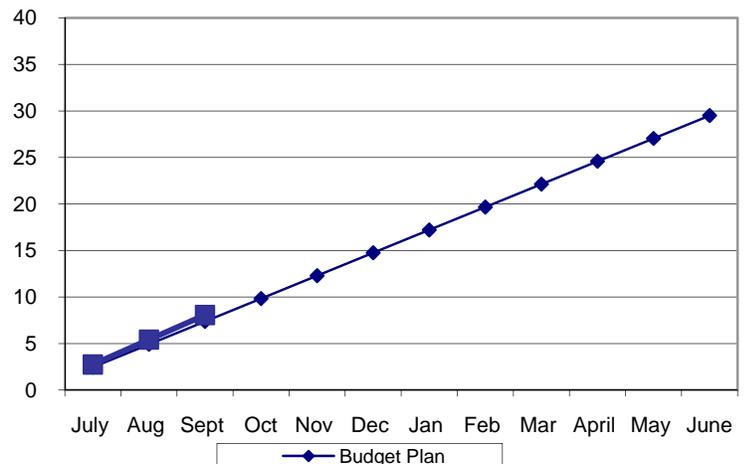
1) Long Term Financial Plan



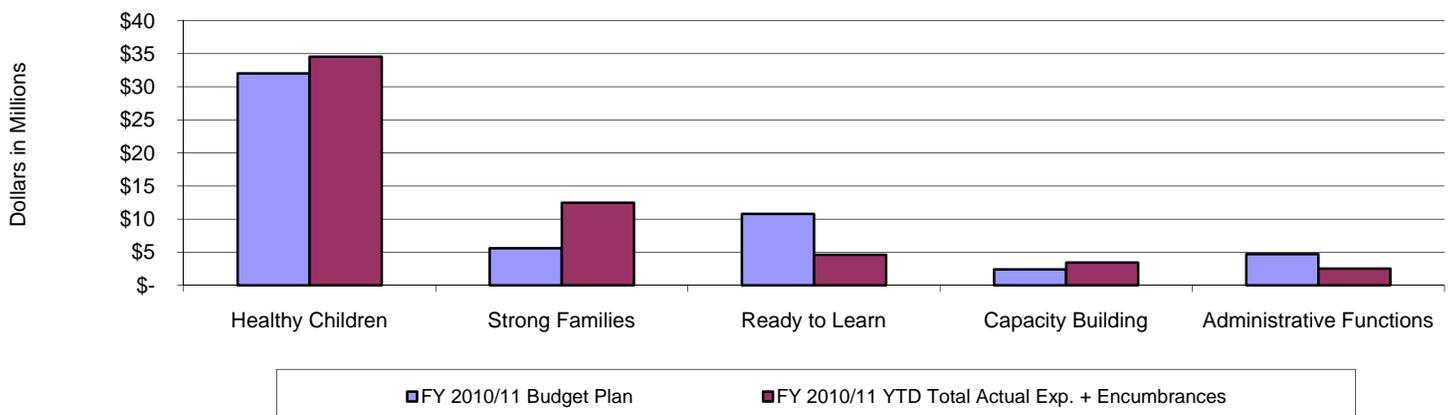
2) FYS 09/10 & 10/11 Tobacco Monthly Revenues *



3) FY 2010-11 Cumulative Tobacco Tax Revenue Budget Plan Vs. Actuals To Date *



4) FY 2010-11 Budget Plan Vs. YTD Total Actuals



*SOURCE: County Funds Distribution Report – First 5 California

**Children and Families Commission of Orange County
Comparison of FY 2009-10 Budget vs. Actuals - Unaudited
Period Ended 10/31/10**

FINANCING		
	FY 2010-11 Amended Budget	FY 2010-11 Actual Revenues
General Purpose Revenues	30,935,000	5,816,616
Special Purpose Revenues	450,000	(11,366)
TOTAL REVENUES	\$31,385,000	\$5,805,250
Other Financing		
From Capital Reserve	\$1,499,950	
Prior Year Encumbrance Released	1,109,640	
Fund Balance	21,678,304	
TOTAL FINANCING	\$55,672,894	

EXPENSES			
	FY 2010-11 Amended Budget	FY 2010-11 Actual Expenses	Encumbrances As of 09/30/10
Healthy Children	32,146,179	1,703,047	32,836,695
Strong Families	5,654,899	-601,399	13,064,676
Ready to Learn	10,796,575	-4,213,111	8,827,710
Capacity Building	2,386,193	249,658	3,199,749
PROGRAM SERVICES	\$50,983,846	(\$2,861,804)	\$57,928,830
Administrative Functions	4,689,048	1,204,359	1,330,180
TOTAL OPERATING EXPENSES	55,672,894	(\$1,657,446)	59,259,010

Quarterly Investment Report



Children & Families
Commission of Orange County

For the Period July1 through September 30, 2010

Quarterly Investment Report
July 1, 2010 through September 30, 2010

OVERVIEW

Pursuant to California Government Code Section 53646, and the Commission's Investment Policy Statement dated 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 July 1 through September 30, 2010.

The Commission has invested solely in (1) the Orange County Investment Pool's Money Market Fund ("Money Market Fund"), and in (2) a Specific Long-Term Investment Program ("SLTIP"), as 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 are in compliance with the Commission's 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 September 30, 2010 totaled \$112,021,623.

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 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. Therefore, no funds were invested in the SLTIP at the close of the quarter on September 30, 2010.

MARKET CONDITIONS

U.S Treasury Yields: Due in large part to the lingering effects of the credit and liquidity crisis, the third quarter of 2010 continued to see high demand for U.S. Treasury securities. The yield on 3-month Treasury Bills began the quarter at 0.18%, traded in a very narrow range, and closed at 0.16% on September 30. However, the 5-year and 10-year Treasury Bonds both rose in price and dropped in yield in the third quarter. The yield on 5-year Treasury Bonds began the quarter

at 1.79 % and closed for the quarter at 1.27 % on September 30. The yield on 10-year Treasury Bonds began the quarter at 2.97 % and closed for the quarter at 2.53 % on September 30.

U.S Treasury Yield Curve: It is important to note that the widely watched 10-year U.S. Treasury Bond, a key indicator of broader financial conditions, continues to increase in price and drop in yield. Although the U.S. Treasury yield curve yields dropped for all maturities in the third quarter, the 30 year U.S. Treasury yields dropped less than the yields for the 5 and 10 year Treasury Bonds. Many observers attribute the relative difference to long-term investors anticipating higher inflation rates in the future.

	<u>Quarter Ending September 30, 2010</u>	<u>Quarter Ending June 30, 2010</u>
3 Month	0.16%	0.18%
5 Year	1.27%	1.79%
10 Year	2.53%	2.97%
<u>30 Year</u>	3.69%	3.91%

Source: Federal Reserve Statistical Release H.15

Economic Indicators

Gross Domestic Product (GDP) for the third quarter 2010 grew at a 2% annualized rate, led by a 2.6% expansion in consumer spending. The largest drag came from a 2% trade deficit (exports less imports). Overall, economic growth remains below its long-run potential, and is too low to reduce unemployment.

The Consumer Price Index (CPI) rose by just 0.1% in September after rising 0.3% in both July and August. Moreover, the year-over-year increase in core inflation (which excludes food and energy) dropped to 0.8%, the lowest such reading since 1961 and far below the Federal Reserve's target of 2%.

At their September 21 meeting, the Federal Open Market Committee (FOMC) meeting openly acknowledged that inflation is below "levels consistent with its mandate" as well as that inflation is likely to "remain subdued for some time." By shifting the focus of their mandate from concerns about deflation to inflation, the FOMC has paved the way for additional measures to push inflation back toward the long-run target of approximately 2%. In essence, the FOMC has stated that what the economy needs is some inflation. The FOMC believes that a massive purchase of U.S. Treasuries (as much as \$600 billion) would push yields on Treasuries and bonds down and produce surge investment and consumption expenditures.

Unemployment

The national employment report for September was disappointing: despite the addition of 64,000 private-sector jobs, 159,000 government jobs were lost (many of the lost government jobs were temporary 2010 census workers), leading to a net decline of 95,000. The national unemployment rate remained at 9.6%. The California unemployment rate was 12.2%, and the Orange County unemployment rate was 9.6% in September 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 July 31, August 31, and September 30, 2010.

Orange County Pool – Money Market Fund					
Period Ending	Pool Market Value	Monthly Average Yields			CNTY MMF AVG Days to Mat
		CNTY MMF	OCIP Net	MMF Avg	
September 30	\$1,271,251,788	0.27	0.91	0.16	57 Days
August 31	\$1,416,333,828	0.44	0.77	0.21	54 Days
July 30	\$1,315,009,875	0.42	0.75	0.75	54 Days

SUMMARY STATEMENTS

Attached for further information and reference is the 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 September 30, 2010 ending balance was \$112,021,623.

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 June and July were scheduled to be posted to the Commission’s cash account in the County general ledger by approximately October 18, 2010.

Attachments:

- A. Statement of Activity



COUNTY OF ORANGE

Attachment A

OFFICE OF THE TREASURER-TAX COLLECTOR

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

November 23, 2010

STATEMENT OF ACTIVITY
For the Month Ended September 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

<u>Date / Description</u>	<u>Beginning Balance</u>	<u>Deposits</u>	<u>Withdrawals</u>	<u>Investment Income</u>	<u>Treasury Admin Fee</u>	<u>Ending Balance</u>
09/01/10, August Admin Fee	\$113,668,672.29	\$9,777,042.85	(\$11,413,855.53)		(10,236.64)	
	<u>\$113,668,672.29</u>	<u>\$9,777,042.85</u>	<u>(\$11,413,855.53)</u>	<u>\$0.00</u>	<u>(\$10,236.64)</u>	<u>\$112,021,622.97</u>

Accrued Investment Income - Fund 225

<u>Date / Description</u>	<u>Beginning Balance</u>	<u>Accrual</u>	<u>Payment</u>	<u>Ending Balance</u>	<u>Apportionment Annualized Yield (Gross)</u>
10/01/10, September Interest	\$267,874.22		0.00		
	<u>\$267,874.22</u>	<u>\$99,025.75</u>	<u>\$0.00</u>	<u>\$366,899.97</u>	1.030%, September