



1700 S. El Camino Real, Suite 405
San Mateo, CA 94402-3050
www.first5sanmateo.org

**FIRST 5 SAN MATEO COUNTY
FINANCE AND ADMINISTRATION COMMITTEE MEETING**

DATE: Monday, February 12, 2018
TIME: 9:00 AM to 10:00 AM
ADDRESS: 1700 S. El Camino Real, Suite 405
San Mateo, CA 94402

MEMBERS: Pam Frisella, Michael Garb, Rosanne Foust

STAFF: Kitty Lopez, Khanh Chau

AGENDA

1.	Approval of the Finance and Administration Committee Agenda	Garb
2.	Approval of the January 8, 2018 Finance and Administration Committee Meeting Minutes (See Attachment 2)	Garb
3.	Review Budget Monitoring Report as of January 31, 2018 (See Attachment 3-3C)	Lopez / Chau
4.	Verbal Update: RFQ for Communication Plan for FY2018-2019	Lopez
Next Meeting: April 9, 2018		

**FIRST 5 SAN MATEO COUNTY
FINANCE AND ADMINISTRATION COMMITTEE
MEETING MINUTES**

January 8, 2018

- Commission Member: Michael Garb, Pam Frisella
- Staff: Kitty Lopez, Khanh Chau
- Minutes: Khanh Chau

1. Election of Finance and Administration Committee Chair

Kitty Lopez stated that since Commissioner Pam Frisella is serving as the Commission Chair; Kitty Lopez recommended Commissioner Michael Garb as the Finance and Administration Committee Chair. Committee members unanimously voted and approved.

Commissioner Garb chaired the meeting

2. Approval of the Finance and Administration Committee Meeting Agenda

A Motion for Approval of the January 8, 2018 Finance and Administration Committee Meeting Agenda was made by Commissioner Frisella, seconded by Commissioner Garb. Unanimously approved.

3. Approval of the October 16, 2017 Finance and Administration Committee Meeting Minutes

A Motion for Approval of the August 16, 2017 Finance and Administration Committee Meeting Minutes was made by Commissioner Frisella, seconded by Commissioner Garb. Unanimously approved.

4. Review Budget Monitoring Report as of December 31, 2017

Kitty Lopez briefly presented key highlights of the Budget Monitoring Report as of December 31, 2017 as presented in the attachments 4A, 4B, 4C.

Committee members reviewed the Budget Monitoring Report as of December 31, 2017 (Attachment 11A, 11B); and asked questions about Computer Supplies expenditure estimate. Staff Khanh Chau responded that the \$5K Computer Supplies expenditure estimate relates to the annual renewal license fee of the Evaluation statistic software that has been used for evaluation data analysis.

Committee members commended positive budget performance of the agency.

5. Review and Recommend Approval of FY17-18 Revised Budget

Kitty Lopez briefly walked through the FY17-18 Revised Budget Memo and FY17-18 Revised Budget worksheet reflecting adjustment of the Beginning Fund Balance as the outcome of the audit report, net increases of Program Appropriations as the balances of 3-

year contract obligations, net decreases of Administrative Appropriations with payroll saving and reduction of allocated A87.

Committee members reviewed. A Motion for Recommend Approval of FY17-18 Revised Budget was made by Commissioner Frisella and seconded by Commissioner Garb.

6. Verbal Update: Auditor Rotation

Committee members discussed the tight audit timeline after year-end close for financial reporting compliances, the preferences of audit firm with solid experiences in GASB68 financial reporting, and the non-mandatory auditor rotation. Kitty Lopez cited that San Mateo County has employed the same audit firm for nearly 20 years. Committee members acknowledged the challenges of tight audit timeline; instructed staff to solicit request for quotation of the audit services; committee members will review and make decision of the audit firm at the upcoming meeting.

Commissioner Garb adjourned the meeting at 9:45AM.

DATE: February 12, 2018
TO: First 5 San Mateo County Finance and Administration Committee
FROM: Kitty Lopez, Executive Director
RE: Budget Monitoring Report as of January 31, 2018

BUDGET MONITORING REPORT as of January 31, 2018 HIGHLIGHTS

The Budget Monitoring Report as of January 31, 2018 is presented in detail as **Attachment 3B** and in summary as **Attachment 3C**. Key Budget Monitoring Report highlights are as following:

YTD Benchmark: 58.33%

REVENUES

- YTD Interest Revenue projection is \$74K or 60%, representing a positive variance or 2% higher than YTD Benchmark due to higher interest earning rate in the County investment pool.
- YTD Prop 10 Tax Revenue projections are \$2.929 million or 58%, which is in line of YTD Benchmark.

If you remember in May 2017, we discussed the following:

- a) In anticipation from various new Tobacco tax regulation impacts, First 5 Association of California makes unofficial revenue projections based on the Governor's Proposal Budget and the best available information about the increase in the smoking age to 21, the projected revenue from E-cigarette taxation, and Proposition 56.*
- b) First 5 Association of California's projection reveals that Prop 10 Tax Revenues to F5 Commissions will decrease 17% in FY2017-2018 because of the new \$2 tobacco tax (Proposition 56). However, First 5 Commissions will receive a back-fill in FY2018-19 to compensate for the drop in revenue associating with new tobacco tax laws.*

However, new Prop 10 Tax Revenue Projections released by First 5 California on January 25, 2018 reveal an additional drop of 2.3% or \$120K in Prop 10 Tax revenue allocated to F5SMC in FY17-18, the drop is associated with negative impact of the Proposition 56 implementation.

F5SMC's Prop 10 Tax Revenue projections for FY17-18 is now \$4,967,854 from \$5,086,486.

- YTD IMPACT Grant Revenue projection is \$245K or 36%, representing 22% below YTD Benchmark due to slow grant administration by executing partner.
- Help Me Grow Grant Revenue is partially recognized by \$100K in FY17-18. Total grant award is \$300K with execution timeline through FY18-19.
- YTD Total Revenues projections are \$3.350 million or 56%, representing a negative variance or 2% lower than YTD Benchmark. Major attributable factors to this negative variance are associated with slow IMPACT grant administration by executing partner.

APPROPRIATIONS

- YTD Program Expenditures projections are \$4.161 million or 46%, representing a positive variance or 12% below YTD Benchmark. Major contributions to this positive variance are attributable to pending planning and rolling out of the Policy Advocacy, Communications and System Changes-unallocated fund; as well as slow spending across grants at the beginning of the fiscal year. However, most grants are expected to be fully executed in this FY17-18 as the last year of the contract terms.

Attachment 3A

- YTD Administrative Expenditures projections of \$517K or 48%, representing a positive variance or 10% below YTD Benchmark. Major contributions to this positive variance are attributable to underspending in various administrative areas and saving from delayed hiring of Extra-Help staff.
- YTD Total Appropriations projections are \$4.679 million or 46%, representing a positive variance or 12% below YTD Benchmark. Major contributions to this positive variance are attributable to under spending in both Program and Administrative Appropriations and savings in various Administrative budget lines.

ENDING FUND BALANCE

- At this time, we are projecting Ending Fund Balance of \$13.593 million or 127%, representing a positive variance of 27% or \$2.853 million higher than the planned budget.

Major contributions to this positive variance are attributable to higher Interest Revenue, lower IMPACT grant revenue projection and under spending in both Program and Administrative Appropriations at the beginning of the fiscal year.

CHALLENGES:

- None at this time.

YTD Benchmark Percentage : 58.33%

	ORG/ACCT#	FY17-18 Revised Budget	YTD Actuals	YTD Accruals *	YTD Combined	YTD Combined versus Planned Budget (%)	NOTES
REVENUE							
FUND BALANCE (Beginning)		14,922,527	14,922,527		14,922,527	100%	
Interest	19510-1521	125,002	64,534	10,417	74,951	60%	\$10K is Jan'18 Interest Revenue estimate. Positive variance due to higher interest earning rate from the county investment pool in recent months.
Tobacco Tax - Prop 10	19510-1861	5,086,486	2,514,600	414,666	2,929,266	58%	Due to the impact of Prop 56, new Prop 10 revenue projections indicate an additional 2.3% revenue drop or \$120K revenue reduction to F5SMC in FY17-18. F5SMC Prop 10 Revenue is now \$4.967 Mio from \$5.086 Mio.
IMPACT Grant	19510-1861	673,815		245,930	245,930	36%	\$190K are Q1 and Q2 Revenue accruals and \$56 K is January '18 revenue estimate. Slow grant administration by executing partner.
Help Me Grow Grant	19510 - 2643	100,000		100,000	100,000	100%	Partial revenue recognition of the Help Me Grow Grant in FY17-18
Wellness Grant	19510-2545			-	-		-
Miscellaneous Reimbursements	19510-2647	0			-		
TOTAL REVENUE		5,985,303	2,579,134	771,013	3,350,147	56%	Negative variance is due to slow execution in the Communication plan of the IMPACT grant.
TOTAL AVAILABLE FUNDS		20,907,830	17,501,661	771,013	18,272,674		-
APPROPRIATIONS							
1. PROGRAMS							
Family Engagement	19540-6125	2,428,341	524,000	763,294	1,287,294	53%	\$560K are Q2'18 expenditure accruals and \$203K are Jan'18 expenditure estimates.
Kit for New Parent KNP (KNP)	19540-6266	41,000	15,182		15,182	37%	Part of FY16-17 KNP order is delivered in FY17-18
Child Health & Development	19540-6156	1,808,352	328,496	555,993	884,489	49%	\$405K are Q2'18 expenditure accruals and \$150K are Jan'18 expenditure estimates.
Early Learning	19540-6263	2,351,935	372,012	670,694	1,042,706	44%	\$475K are Q2'18 expenditure accruals and \$195K are Jan'18 expenditure estimates.
Early Learning - Regional Cost Sharing	19540-6263	30,000			-	0%	No regional cost sharing project with other F5s at this time.
Help Me Grow Grant	19540-6131	85,000					
IMPACT Grant	19540-6126	623,815	66,007	131,801	197,808	32%	\$79K are Q2'18 expenditure accruals. Slow grant administration by executing partner.
Policy Advocacy, Communications & Systems Change	19540-6814	505,959	88,943	173,514	262,457	52%	\$131K are Q2'18 expenditure accruals.
Unallocated Fund - Policy Advocacy, Communications & Systems Changes (PAC)	19540-6814	371,500	11,402	53,248	64,650	17%	\$22K are expenditure accruals and \$31K are Jan'18 expenditure estimates. Underspending is associated with pending planning and rolling out the PAC - Unallocated fund.
Other Communications - Sponsorship	19540-6814	10,000	-	-	-	0%	
Program Salary & Benefits		538,098	255,564		255,564	47%	Saving due to delayed hiring of Extra Help staff.
Evaluation	19540-6265		-		-		This fund will reduce to zero in the FY17-18 Revised Budget due to the full amount is part of SPIP carried over to FY18-20

	ORG/ACCT#	FY17-18 Revised Budget	YTD Actuals	YTD Accruals *	YTD Combined	YTD Combined versus Planned Budget (%)	NOTES
Grant Management and Big Data	19540-6265	147,850	33,760	35,613.83	69,374	47%	\$23K are Q2'18 expenditure accruals and \$12K are Jan'18 expenditure estimates.
Evaluation - Salaries & Benefits		154,057	81,698		81,698	53%	Delayed posting of Retirement Health expenses by the County
TOTAL PROGRAM APPROPRIATIONS		9,095,907	1,777,064	2,384,157	4,161,221	46%	Positive variance due to slow execution in IMPACT grant at the beginning of the fiscal year and pending planning and rolling out the PAC-Unallocated fund.
2. ADMINISTRATIVE			-	-	-		
Salaries and Benefits		660,222	333,647		333,647	51%	Saving due to delayed hiring of Extra Help staff and delayed posting of Retirement Health expenses by the County
Services and Supplies							-
Outside Printing & Copy Svc	19510-5191	4,000	157	-	157	4%	No major printing of outreach and marketing materials at this time.
General Office Supplies	19510-5193	11,400	5,268		5,268	46%	\$2K of underspending fund from FY16-17 is carried over to FY17-18 for the pending purchases of standing desks and workstation ergonomic improvements.
Photocopy Lease & Usage	19510-5196	2,500	491	417	908	36%	Below average of the Photocopy usage.
Computer Supplies	19510-5211	10,000	1,955	5,000	6,955	70%	\$1.9K is for the new laptop purchase for new employee. \$5K is expenditure estimate for the Evaluation Statistic software license and a place holder for emergency IT equipment needs.
County Memberships - (e.g. F5 Assn Dues)	19510-5331	17,500	13,666	-	13,666	78%	Full year of F5CA Association Membership dues
Auto Allowance	19510-5712	11,000	5,838	-	5,838	53%	-
Meetings & Conference Expense	19510-5721	13,000	4,632	-	4,632	36%	Additional staff travel and conference expenses to occur in the second half of the fiscal year.
Commissioners Meetings & Conference Exp	19510-5723	3,000	1,080		1,080	36%	This line is underbudgeted with a revised increase in FY17-18 Revised Budget.
Other Business Travel expense	19510-5724	5,000	648		648	13%	Additional staff travel and conference expenses to occur in the second half of the fiscal year.
Dept. Employee Training Expense	19510-5731	5,000	-	-	-	0%	No employee training activities at this time
Wellness grant	19510-5856		464	-	464		
Other Professional Services	19510-5858	40,000	1,875	-	1,875	5%	Low MAA activities at this time.
Sub Total - Services & Supply		122,400	36,074	5,417	41,491	34%	Positive variance due to underspending in Other Professional Services and various administrative budget lines.
Other Charges				-			1
Telephone Service Charges	19510-6712	4,000	1,670	333	2,003	50%	\$333 is Jan'18 expenditure estimate
Automation Services - ISD	19510-6713	48,000	19,382	4,000	23,382	49%	\$4K is Jan'18 expenditure estimate
Annual Facilities Lease	19510-6716	96,000	50,697		50,697	53%	
General Liability Insurance	19510-6725	7,500	3,707		3,707	49%	-
Official Bond Insurance	19510-6727	600	129		129	22%	-
Human Resources Services	19510-6733	5,350	269		269	5%	No employee training activities at this time
Countywide Security Services	19510-6738	500	449	-	449	90%	Full year service charges.
All Other Service Charges	19510-6739	60,000	17,461	6,000	23,461	39%	Saving in the audit services cost. \$6K are expenditure estimates of county counsel and Controller Office services

	ORG/ACCT#	FY17-18 Revised Budget	YTD Actuals	YTD Accruals *	YTD Combined	YTD Combined versus Planned Budget (%)	NOTES
A-87 Expense	19510-6821	67,700	32,938	5,642	38,580	57%	\$5.6K is Jan'18 expenditure estimate
Sub Total - Other Charges		289,650	126,702	15,975	142,677	49%	Major savings are associated with the audit service cost saving, the reduction of A87 Allocation, and no employee training activities at this time.
TOTAL ADMINISTRATIVE APPROPRIATIONS		1,072,272	496,423	21,392	517,815	48%	Positive variances due to underspending and savings in various Administrative budget lines in the first half of the fiscal year.
Administrative Cost %		11%	22%	1%	11%		-
TOTAL APPROPRIATIONS		10,168,179	2,273,487	2,405,549	4,679,036	46%	Positive variances due to underspending in both Program and Administrative Budget in the first few months of the fiscal year.
FUND BALANCE (ENDING)		10,739,651	15,228,174	-1,634,536	13,593,638	127%	Positive variances are associated with underspending in both Program and Administrative Appropriations in the first few months of the fiscal year.
			-	-	-		-
Program Staff		538,098	255,564	-	255,564	47%	Saving due to delayed hiring of Extra-Help staff.
Evaluation Staff		154,057	81,698	-	81,698	53%	County did not post the Retirement Healthcare cost yet.
Admin Staff		660,222	333,647	-	333,647	51%	County did not post the Retirement Healthcare cost yet.
Total Salaries and Benefits		1,352,377	670,909	0	670,909	50%	Positive variances due to delayed hiring of Extra-Help staff.

Note:

This Budget Monitoring Report is presented in a Hybrid Format as per suggestion of Finance and Administration Committee members.

The YTD Actuals column reflects Actual Revenues and Actual Expenditures reported in Countywide OFAS Accounting System.

The YTD Accruals* (with an asterisk) column is a hybrid presentation using Modified Accrual Accounting or Projections. When Revenue and Expenditures are not measurable in monetary terms or are not available, Committee members suggest to make a Projection for the reporting month.

Technical Terms

1. Modified Accrual

Under Modified Accrual, Revenue is recognized and recorded when measurable and available to finance the expenditures of the current period; Available, under Modified Accrual, means collectible within the current period or soon enough to be used to pay liabilities of the current period; Measurable means quantifiable in monetary terms. Per F5CA, Prop 10 Tax Revenue is recorded when the Prop 10 Tax Revenue is posted on the F5CA website.

Expenditures are recognized and recorded when the related liability incurred with some exceptions.

2. Internal Reporting

The Budget Monitoring Report is an internal report, typically is designed to accomplish two goals:

- (a) allows management to monitor compliance with legal and contractual provisions applicable to the management of public funds; and
- (b) provides management with the information on current performance that it needs to make future financial plans.

Because internal reports are designed to serve the needs of management, management is free to select the format and content it believes is most relevant, with timeliness being a key consideration for their use as monitoring or planning documents.

References

- 1. Modified Accrual: Becker CPA Review, Financial, 2009 Edition Textbook, page F8-12
- 2. Internal Reporting: First 5 Association of California - Financial Management Guide - Fifth Edition, 2015, Updated 12/15/15, page 51

YTD Benchmark Percentage : 58.33%

	FY17-18 Revised Budget	YTD Actuals	YTD Accruals *	YTD Combined	YTD Combined versus Planned Budget (%)	NOTES
REVENUE						
FUND BALANCE (Beginning)	\$ 14,922,527	\$ 14,922,527	\$ -	\$ 14,922,527		0
Interest	125,002	64,534	10,417	74,951	60%	\$10K is Jan'18 Interest Revenue estimate. Positive variance due to higher interest earning rate from the county investment pool in recent months.
Tobacco Tax - Prop 10	5,086,486	2,514,600	414,666	2,929,266	58%	Due to the impact of Prop 56, new Prop 10 revenue projections indicate an additional 2.3% revenue drop or \$120K revenue reduction to F5SMC in FY17-18. F5SMC Prop 10 Revenue is now \$4.967 Mio from \$5.086 Mio.
IMPACT grant	673,815	-	245,930	245,930	36%	\$190K are Q1 and Q2 Revenue accruals and \$56 K is January '18 revenue estimate. Slow grant administration by executing partner.
Help Me Grow Grant	100,000	-	100,000	100,000	100%	Partial revenue recognition of the Help Me Grow Grant in FY17-18
Wellness Grant	-	-	-	-		-
Miscellaneous Reimbursements	-	-	-	-		-
TOTAL REVENUE	5,985,303	2,579,134	771,013	3,350,147	56%	Negative variance is due to slow execution in the Communication plan of the IMPACT grant.
TOTAL AVAILABLE FUNDS	20,907,830	17,501,661	771,013	18,272,674		
APPROPRIATIONS						
1. PROGRAMS						
Family Engagement	2,428,341	524,000	763,294	1,287,294	53%	\$560K are Q2'18 expenditure accruals and \$203K are Jan'18 expenditure estimates.
Kit for New Parent KNP (KNP)	41,000	15,182	0	15,182	37%	Part of FY16-17 KNP order is delivered in FY17-18
Child Health & Development	1,808,352	328,496	555,993	884,489	49%	\$405K are Q2'18 expenditure accruals and \$150K are Jan'18 expenditure estimates.
Early Learning	2,351,935	372,012	670,694	1,042,706	44%	\$475K are Q2'18 expenditure accruals and \$195K are Jan'18 expenditure estimates.
Early Learning - Regional Cost Sharing	30,000	0	0	0	0%	No regional cost sharing project with other F5s at this time.
Help Me Grow grant	85,000	0	0	0	0%	-
IMPACT Grant	623,815	66,007	131,801	197,808	32%	\$79K are Q2'18 expenditure accruals. Slow grant administration by executing partner.
Policy Advocacy, Communications & Systems Change	505,959	88,943	173,514	262,457	52%	\$131K are Q2'18 expenditure accruals.
Unallocated Fund - Policy Advocacy, Communications & Systems Changes (PAC)	371,500	11,402	53,248	64,650	17%	\$22K are expenditure accruals and \$31K are Jan'18 expenditure estimates. Underspending is associated with pending planning and rolling out the PAC - Unallocated fund.
Other Communications	10,000	0	0	0	0%	-
Program Salary & Benefits	538,098	255,564	-	255,564	47%	Saving due to delayed hiring of Extra Help staff.
Evaluation	-	-	-	-	#DIV/0!	This fund will reduce to zero in the FY17-18 Revised Budget due to the full amount is part of SPIP carried over to FY18-20
Grant Management and Big Data	147,850	33,760	35,614	69,374	47%	\$23K are Q2'18 expenditure accruals and \$12K are Jan'18 expenditure estimates.
Evaluation - Salaries & Benefits	154,057	81,698	-	81,698	53%	Delayed posting of Retirement Health expenses by the County

	FY17-18 Revised Budget	YTD Actuals	YTD Accruals *	YTD Combined	YTD Combined versus Planned Budget (%)	NOTES
TOTAL PROGRAM APPROPRIATIONS	9,095,907	1,777,064	2,384,157	4,161,221	46%	Positive variance due to slow execution in IMPACT grant at the beginning of the fiscal year and pending planning and rolling out the PAC-Unallocated fund.
2. ADMINISTRATIVE						
Salaries and Benefits	660,222	333,647	-	333,647	51%	
Sub Total - Services & Supply	122,400	36,074	5,417	41,491	34%	Positive variance due to underspending in Other Professional Services and various administrative budget lines.
Sub Total - Other Charges	289,650	126,702	15,975	142,677	49%	Major savings are associated with the audit service cost saving, the reduction of A87 Allocation, and no employee training activities at this time.
			-	-		
TOTAL ADMINISTRATIVE APPROPRIATIONS	1,072,272	496,423	21,392	517,815	48%	Positive variances due to underspending and savings in various Administrative budget lines in the first half of the fiscal year.
Administrative Cost %	11%	22%		11%		
TOTAL APPROPRIATIONS	10,168,179	2,273,487	2,405,549	4,679,036	46%	Positive variances due to underspending in both Program and Administrative Budget in the first few months of the fiscal year.
FUND BALANCE (ENDING)	10,739,651	15,228,174	-1,634,536	13,593,638	127%	Positive variances are associated with underspending in both Program and Administrative Appropriations in the first few months of the fiscal year.
Total Salaries and Benefits	1,352,377	670,909	0	670,909	50%	Positive variances due to delayed hiring of Extra-Help staff.

Note:

This Budget Monitoring Report is presented in a Hybrid Format as per suggestion of Finance and Administration Committee members.

The YTD Actuals column reflects Actual Revenues and Actual Expenditures reported in Countywide OFAS Accounting System.

The YTD Accruals* (with an asterisk) column is a hybrid presentation using Modified Accrual Accounting or Projections. When Revenue and Expenditures are not measurable in monetary terms or are not available, Committee members suggest to make a Projection for the reporting month.

Technical Terms

1. Modified Accrual

Under Modified Accrual, Revenue is recognized and recorded when measurable and available to finance the expenditures of the current period; Available, under Modified Accrual, means collectible within the current period or soon enough to be used to pay liabilities of the current period; Measurable means quantifiable in monetary terms. Per F5CA, Prop 10 Tax Revenue is recorded when the Prop 10 Tax Revenue is posted on the F5CA website.

Expenditures are recognized and recorded when the related liability incurred with some exceptions.

2. Internal Reporting

The Budget Monitoring Report is an internal report, typically is designed to accomplish two goals:

- (a) allows management to monitor compliance with legal and contractual provisions applicable to the management of public funds; and
- (b) provides management with the information on current performance that it needs to make future financial plans.

Because internal reports are designed to serve the needs of management, management is free to select the format and content it believes is most relevant, with timeliness being a key consideration for their use as monitoring or planning documents.

References

1. Modified Accrual: Becker CPA Review, Financial, 2009 Edition Textbook, page F8-12
2. Internal Reporting: First 5 Association of California - Financial Management Guide - Fifth Edition, 2015, Updated 12/15/15, page 51