

First 5 Commission of San Diego

Subject: Administrative Rate Policy

Policy Number: F5C-012

Effective Date: April 2, 2018

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Deleted: June 29, 2015

Purpose

To establish a policy that limits the percentage of the First 5 Commission of San Diego's (Commission) operating budget that may be spent on administrative functions; to define the Commission's administrative costs in accordance with the California First 5 Commission's guidelines; and to establish procedures to monitor and report the Commission's administrative expenditures.

Background

The enactment of AB 109 and SB 35 has imposed a number of new requirements on county Children and Families Commissions. This includes the requirement that every county commission must adopt in a public hearing a limit on the percentage of the commission's operating budget that may be spent on administrative functions.

Definition of Administrative Costs

Administrative costs for the Commission are defined in accordance with the First 5 Financial Management Guide, Chapter 8. "Administrative costs" are the Commission's labor and benefits costs, and all services and supplies costs not readily identifiable as costs of the Commission's evaluation or programmatic activities (i.e. contributions to the community).

Definition of Operating Budget

The Commission's Operating Budget will be determined by the following formula:

1. The baseline is the current year's Commission approved budget;
2. Plus all prior year encumbrances rolled over to the current year;
3. Minus all items in numbers 1 & 2 above that are intended to be expensed in future years.

Definition of Administrative Rate

The Administrative Rate for the Commission is defined in accordance with the First 5 Financial Management Guide, Chapter 8, issued by the California First 5 Commission. "Administrative Rate" establishes an upper limit on administrative costs as a percentage of the total operating budget, based on an analysis of its administrative spending needs and best practice in government finance.

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Policy

The First 5 Commission of San Diego shall allocate in a responsible manner the funds necessary for the proper control and administration of the Commission's operations and activities. The maximum administrative rate for the First 5 Commission of San Diego will be 10% of the annual operating budget for the fiscal year. The percentage of the Commission's administrative costs to the total current fiscal year operating budget will be calculated as the total administrative costs (as defined above) for the fiscal year, divided by the total annual operating budget.

Procedures

- A. On a quarterly basis, the Commission and the Commission's Finance Committee will receive financial reports (revenue & expenditure statements) that include year-to-date information on the Commission's administrative costs along with budget projections for the fiscal year. Additionally, the statements will include information on the percentage of administrative costs in relation to the Commission's total annual operating budget.
- B. At the end of every fiscal year, staff will provide a report to the Commission of the Commission's total actual administrative costs in relation to the Commission's operating budget.
- C. On an annual basis, the Commission's Finance Committee will review this policy, including the definition of administrative costs and the maximum rate.
- D. The Commission's Finance Committee shall conduct quarterly fund balance reviews, including reviews of the Commission's administrative expenditures. In the event that administrative costs are anticipated to exceed the approved Administrative Rate, the Executive Director or designee shall report this to the Commission in a public meeting. At this time, the Executive Director may also present options to the Commission.

| Sunset Review: April 2021

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