



"A George Hills Company Administered JPA"

July 30, 2012

11:00 am – 12:00 pm

**CalMHSa Finance Committee Teleconference
Minutes**

The Finance Committee Members Present:

- Mr. Scott Gruendl, Chair, Glenn County
- Mr. Tom Sherry, Sutter/Yuba County
- Ms. Amy Wilner, Butte County

Finance Committee Members Absent:

- Dr. Bill Arroyo, Los Angeles County
- Ms. Tanya Bratton, San Bernardino County
- Dr. Wayne Clark, CalMHSa President (Ex-Officio)

CalMHSa Staff Present:

- Kim Santin, Finance Director
- Ann Collentine, Program Director
- Allan Rawland, Associate Administrator – Government Relations
- Maya Maas, Executive Assistant
- Michelle Yang, Executive Assistant

Consultants Present:

- John T. Liddle, Morgan Stanley Smith Barney
- Deborah Dunn, Morgan Stanley Smith Barney

Public Present:

- David Kopperud, California Department of Education
- Shirley Martin, Mono County

The Finance Committee Meeting was called to order at 11:02 a.m. by Committee Chair Scott Gruendl. Kim Santin, CalMHSa Finance Director, took roll, and introductions were made. Committee Chair Gruendl then provided instructions for public comment.

3. Approval of the Agenda as Posted (Or Amended)

Committee Chair Gruendl asked for any amendments to the July 30, 2012 agenda. Hearing none, he accepted the agenda as approved.

Action: Approval of Finance Committee May 21, 2012 Agenda as presented.

4. Consent Calendar

Committee Chair Gruendl asked if there were any requests to pull items from the consent calendar. None were made.

Action: Approval of consent calendar.

Motion: Tom Sherry, Sutter/Yuba County

Second: Amy Wilner, Butte County

Committee Chair Gruendl made a note to staff that on page 10 of the budget narrative, in the section titled Budget Notes, the items and numbers appear to be correct but the columns don't appear to match.

5. CalMHSA's Treasurer's Report as of June 30, 2012

Ms. Santin gave a review of the Treasurer's Report, which include the market values and book balances. Prior to the meeting, staff noticed the totals on the bottom of the two graphics were not updated to reflect the values provided on the spreadsheet; updated graphs were distributed prior to the meeting.

Action: Approval of the Treasurer's Report as of June 30, 2012 for presentation at the August 9, 2012 Board of Directors Meeting.

Motion: Tom Sherry, Sutter/Yuba County

Second: Amy Wilner, Butte County

6. CalMHSA Investment Update

Committee Chair Gruendl called on John Liddle and Deborah Dunn of Morgan Stanley Smith Barney to give an update on CalMHSA's investments. First, Mr. Liddle provided a current marker update. During the second quarter, the 10 year treasury yield has gone down, which is good for CalMHSA's portfolio. With the European Central Bank and the Federal Open Market Committee meeting later in the week, MSSB staff will be tracking the decisions reached at those meetings as well as the results of the motor vehicle sales report being issued on Thursday and the unemployment report on Friday. Next, Mr. Liddle reviewed the performance of Public Financial Management (PFM) which is currently returning .51 basis points while LAIF is at .36 basis points, which puts the portfolio well ahead of LAIF.

Mr. Liddle then presented an overview of the Account – Executive Summary. CalMHSA's portfolio is up 21 basis points, well ahead of Barclay's one to three year index. To date, interest received is at \$680,539.17, all of which is being rolled back into the money market account. Committee Chair Gruendl asked how the interest aligns with the anticipated revenue in the budget. Ms. Santin responded that it was tracking with what was anticipated in the budget at \$1.2 million for June 30, 2013.

Recommendation: None, information only.

7. CalMHSA Statewide Prevention and Early Intervention Implementation Work Plan Update

Ms. Santin reviewed the financial piece of the Plan Update and provided an overview of the budget from the original CalMHSA Statewide PEI Implementation Work Plan, approved by the Mental Health Services Oversight and Accountability Commission on January 5, 2011, as well as the First Amendment to the work plan, approved March 23, 2012. The Plan Update recommends moving \$2,869,658 from planning and \$9,662,072 from contingency reserve to program/direct funds.

Committee Chair Gruendl asked if CalMHSA has just not spent as much on planning as estimated. Ms. Santin responded in the affirmative. Amy Wilner, Butte County, asked how it was determined to reduce the contingency reserve to 2%. Ms. Santin responded that with the reversion date fast approaching and program partners strictly adhering to their budgets, staff wants to get as much money moving into contracts and included in the plan. Ms. Collentine added that it takes about six months to go from a plan update to an executed contract, possibly longer for a new program. Conservatively money needs to be kept in the contingency reserve and in planning funds in the event of something unforeseen, but with the six months required to see a program implemented and the reversion date of June 30, 2014, the Plan Update moves as much of the funds as is feasible into programs and gets the money spent appropriately to fix any gaps in the existing PEI programs or address new issues that may emerge.

Mr. Liddle asked if there was anything new in regards to extending the time period CalMHSA has to disperse the assets. Mr. Rawland responded a letter has been sent to Cliff Allenby, Department of Mental Health, and to Vanessa Baird, Department of Health Care Services, requesting the date be extended to 2017. Mr. Rawland and John Chaquica, CalMHSA Executive Director, will be meeting with Ms. Baird in the coming weeks to discuss the matter further.

Recommendation: None, information only.

8. CalMHSA Financial Audit for June 30, 2012, 2013 and 2014

Ms. Santin to provide the rationale behind CalMHSA engaging James Marta & Company to conduct fiscal audits for June 30, 2012 through 2014. Ms. Santin noted the importance of consistency as well as the fact that the first year an auditor works with an organization tends to be more challenging, thus re-engaging James Marta & Company would ensure a more efficient process. However, she acknowledged there can be good reasons for changing an auditor as well as for keeping them. She added following the 2014 audit, the matter would be brought up again for discussion.

Committee Chair Gruendl then noted the front page of the agenda listed the recommendation as “none, information only,” making the committee unable to take action. Instead it was decided the item would be moved to the board for action at their August 9, 2012 meeting. Committee Chair Gruendl will report out to the board on the committee’s discussion at that time.

Ms. Wilner noted that it makes sense to have a consistent auditor for that period of time.

Tom Sherry, Sutter/Yuba County, agreed with Ms. Wilner and stated James Marta & Company has extensive experience working with JPAs. Ms. Santin added they also participate in the California Association of JPAs and sits on the accreditation committee.

Committee Chair Gruendl asked Ms. Santin if, in her knowledge, they were comparable to other available vendors in terms of cost. Ms. Santin responded that, to her knowledge, they were comparable. He then asked Ms. Santin what she envisioned for 2014 when the matter would be revisited. Ms. Santin explained that a similar discussion would be had addressing CalMHSA's experience and satisfaction with James Marta & Company. Mr. Rawland noted Doug Alliston, Legal Counsel, should review the procurement policy as it relates to contract renewals and if a solicitation process needs to take place following the 2014 audit.

Committee Chair Gruendl stated he would report out at the August 9, 2012 board meeting that there were no concerns noted by the committee.

9. CalMHSA Indirect Rate Discussion

Ms. Santin reviewed historical data related to the indirect rate on three current projects—Training/Technical Assistance and Capacity Building; Contra Costa County Workforce, Education and Training; and the PEI programs. For the PEI programs, DMH did not provide any guidelines regarding cost principles so Ms. Santin used the Federal guidelines in OMB Circular A 87 Part 225. She noted CalMHSA's indirect rate has historically run at 4%, well below the budget 7.5% approved in the PEI Work Plan and First Amendment to the Work Plan.

Committee Chair Gruendl asked Ms. Santin to clarify the items included in the direct rate. Ms. Santin noted that because staff had been tracking their hours, they were able to directly allocate salaries, benefits and resources, so the 15% direct rate shown did include those items.

Mr. Rawland added staff was recommending a policy be developed to provide a directive for future programs.

Committee Chair Gruendl suggested a range depending on the type of project, with statewide projects being listed at one level and county projects being listed at a different level.

Mr. Sherry suggested following Federal requirements, which counties and other entities are familiar with and will see as standard. Should CalMHSA have federally funded programs in the future, adjustments would not have to be made in the handling of the indirect rate.

Following discussion, Committee Chair Gruendl reiterated the indirect rate range will be 8% for fully administrated programs close to 4% for intermediary services.

Staff was then directed to create a draft policy and range which will be brought back to the committee for approval. Committee Chair Gruendl with work with Ms. Santin and staff on the creation of the policy.

Recommendation: Discussion and/or action as deemed appropriate.

10. Finance Committee Calendar, Fiscal Year 2012-2013

The Committee reviewed the calendar compiled by staff, based upon a survey done of Committee members, the board of directors meeting schedule and items needing the committee's attention in preparation for those board meetings. The Committee discussed the dates proposed and agreed that Mondays were preferred over Tuesdays.

Action: Approval of the Finance Committee calendar, Fiscal Year 2012-2013.

11. Discussion on Statewide Hospital Beds

Allan Rawland, Associate Administrator – Government Relations, gave an update on CalMHSA's progress in negotiating a statewide hospital bed annual purchase agreement on behalf of interested counties. Staff is waiting for an MOU that is being issued by the Department of Mental Health. There is currently no formula in place to cover administrative and planning costs; George Hills Company is providing in-kind support until such a formula is finalized.

Staff has solicited CalMHSA members to participate in a short-term work group for the development of the Statewide Hospital Bed Utilization Plan, which is being proposed to have seven county representatives. It is recommended that participants in the work group be CalMSHA board members, or the members' delegate, preferably someone who has been involved with managing their county's state hospital bed contract. Don Kingdon, California Mental Health Director's Association, will also participate in the work group, which will be convened by CalMHSA staff.

Recommendation: Discussion and/or action as deemed appropriate.

12. General Public Comment

Committee Chair Gruendl asked for any general comments from members of the public. There were none.

13. Closing Comments

Committee Chair Gruendl asked for any closing comments. There were none.

Hearing no further comments, Committee Chair Gruendl adjourned the call at 12:05 p.m.