



"A George Hills Company Administered JPA"

CalMHSa Finance Committee Teleconference Minutes from November 25, 2013

Finance Committee Members

Present

- Mr. Scott Gruendl, Chair, Glenn County
- Dr. William Arroyo, Los Angeles County
- Dr. Wayne Clark, CalMHSa President (Ex-Officio)
- Tanya Bratton, San Bernardino County

Absent

- Amy Wilner, Butte County
- Tom Sherry, Sutter/Yuba County

CalMHSa Staff

- John Chaquica, Executive Director
- Kim Santin, Finance Director
- Ann Collentine, Program Director
- Doug Alliston, Legal Counsel
- Michelle Yang, Executive Assistant

Consultants

- John T. Liddle, Morgan Stanley Smith Barney
- Michael Manduca, James Marta & Company

Members of the Public

- Jane Ann LeBlanc, Sacramento County
- Kim Ganade-Torres, San Francisco City and County

1. Call to Order

The CalMHSa Finance Committee teleconference was called to order at 3:06 p.m. on November 25, 2013 by Committee Chair Scott Gruendl. Introductions were made and teleconference instructions were given.

2. Roll Call and Public Comment Instructions

Committee Chair Gruendl called roll and established a quorum, with two absentee members. Committee Chair Gruendl also reviewed the public comment instructions, and noted items not on the agenda would be reserved for public comment at the end of the agenda.

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

Committee Chair Gruendl asked for any amendments to the agenda, of which there were none.

Action: Approval of the consent calendar.

Motion: William Arroyo, Los Angeles County
Second: Tanya Bratton, San Bernardino County

Motion approved with two absentees.

Public comment was heard from the following individual(s):
None

4. Consent Calendar

Committee Chair Gruendl asked for any changes to the May 7, 2013 minutes or Treasurer's Reports as of September 30, 2013. None were made.

Action: Approval of the consent calendar.

Motion: William Arroyo, Los Angeles County
Second: Tanya Bratton, San Bernardino County

Motion approved with two absentees.

Public comment was heard from the following individual(s):
None

5. CalMHSA Investment Update

Committee Chair Gruendl called on John Liddle, Morgan Stanley Smith Barney, to present an update on the CalMHSA investments managed by Public Financial Management (PFM). Mr. Liddle discussed the current interest rate environment and how rising and falling interest rates could affect the portfolio. Mr. Liddle briefly reviewed the balances of all funds with the exception of the LAIF account, stating the LAIF account is solely for expending program funds. Mr. Liddle indicated the total projected income from January 2012 through October 2013 is approximately \$2.5 million and explained how this number includes all the different interest income payments that had been received over the course of the last year and 10 months. Mr. Liddle also indicated the projected income through September 2014 would be an additional \$850,055, bringing the total to \$3.3 million.

Mr. Liddle asked the Committee whether the CalMHSA investments would be going further out past its current end date. John Chaquica, CalMHSA Executive Director, stated it is unknown at this time whether the investments would go further out past 2015, and the JPA is not in a position to make that decision at this time. Mr. Liddle explained any money not being spent at the rate initially anticipated can be re-invested, further out on the yield curve to get a higher rate of return than what is currently being earned.

Mr. Liddle noted CalMHSA has been successful at achieving a higher rate of return since March 21, 2012. Mr. Chaquica reiterated more on the yield curve and gave emphasis to the recommendation being presented.

Action: None, information only.

Public comment was heard from the following individual(s):

None

6. Review of Draft Financial Audit, June 30, 2013

Committee Chair Gruendl called on Michael Manduca, James Marta & Company, to give an overview regarding the FY 2012-2013 annual audit report. Mr. Manduca gave a short summary of the draft audit report submitted to CalMHSA, stating the audit status has not been changed, nor were there any adjustments to any part of the audit. Mr. Manduca informed the Committee as CalMHSA has moved from its planning phase to Phase II, total assets have decreased, as program expenses are incurring and being expended by the CalMHSA Program Partners. Kim Santin, CalMHSA Finance Director, stated the report was a draft, so the June 30, 2014 termination date will be changed. Mr. Chaquica stated there were additional edits being worked through with James Marta & Company.

Dr. William Arroyo, Los Angeles County, stated he was concerned how the budget funds will be spent in the way they need to be spent. Dr. Arroyo stated the overview showed the funds were not being spent fast enough, and asked how much has been expended so far by CalMHSA in the first quarter of the new fiscal year. Ms. Santin stated CalMHSA is working on those numbers, and is approaching its goal of expending approximately \$5 million each month, as was stated by the \$7.5 million expended in the first quarter of FY 2013-2014. Committee Chair Gruendl asked for the amount of available statewide funding for the projects, as there was a difference between \$146.8 million and \$136 million. Ms. Santin clarified the discrepancy, using the draft audit report.

Action: Finance Committee to discuss and/or recommend to the Board of Directors filing of the draft Financial Audit.

Motion: William Arroyo, Los Angeles County

Second: Tanya Bratton, San Bernardino County

Motion approved with two absentees.

Public comment was heard from the following individual(s):

None

7. Draft Phase 1 and Phase 2 Sustainability Plan

Committee Chair Gruendl called on Ann Collentine, CalMHSA Program Director, to give an overview of the Phase 1 Sustainability Plan. Ms. Collentine referred the Committee to the draft sustainability table in the meeting packet, explaining the proposed budget for Phase 1 (FY 2014-2015), which would continue the current projects at a reduced level of funding, and for Phase 2, which would look at long-term planning and funding for the next 5-10 years of Statewide PEI projects. Phase 1 would include the No Cost Extensions (carryover) of current CalMHSA Program Partners, reducing the sustainability funding needed by \$5 million. Dr. Arroyo

requested the phrasing regarding new funds within the notes be modified to include CalMHSA program partners and other funding sources, as this would make the document more comprehensive and provide more depth in the explanation of the document. Dr. Arroyo stated it would be important to all counties to underscore that there may be some viable funding options beyond county funding, and it was not evident within the chart. Dr. Wayne Clark, CalMHSA President, agreed with Dr. Arroyo, noting it should be stated CalMHSA is seeking funds from a variety of sources.

Dr. Clark asked whether the \$5 million mentioned as carryover funds are unexpended, uncontracted dollars that do not include the accrued interest. Ms. Collentine and Mr. Chaquica both stated it does not. Committee Chair Gruendl requested clarification regarding matching funds, if it would be in-kind matching, and whether CalMHSA would be leveraging funds or transferring funds. Ms. Collentine answered, stating if CalMHSA were to match, it would have to state where the source of monies will be coming from, and would like Board action and language to direct CalMHSA. Ms. Collentine also stated CalMHSA would be looking at leveraging funds, not transferring funds. Mr. Chaquica also answered, requesting feedback from the Committee, as this was a very early draft of the potential path CalMHSA may take.

Committee Chair Gruendl asked CalMHSA staff to consider if in-kind matching should be created as a way of sustainability, and how that should be validated. Tanya Bratton, San Bernardino County, asked what the time frame was for Phase 2 Sustainability. Ms. Collentine stated there was no hard date for Phase 2, but was giving the Committee an estimate of what the annual cost of sustaining the Statewide PEI projects would be. Mr. Chaquica stated the costs could change, due to another planning process in place that would mean the same projects could be sustained, or if other programs, which haven't been contemplated, could be implemented.

Action: None, information only.

Public comment was heard from the following individual(s):

Jane Ann LeBlanc, Sacramento County

Committee Chair Gruendl asked if there were any general public or closing comments. Hearing none, the call was adjourned at 4:05 p.m.

Action: Adjournment of Finance Committee Teleconference

Motion: William Arroyo, Los Angeles County

Second: Tanya Bratton, San Bernardino County

Motion approved with two absentees.