

**California Mental Health Services Authority
EXECUTIVE COMMITTEE TELECONFERENCE
AGENDA**

May 24, 2017
1:00 p.m. – 2:00 p.m.
Dial-in Number: 916-233-1968
Access Code: 3043



CaIMHSA
3043 Gold Canal Drive, Suite 200
Rancho Cordova, CA 95670

Colusa County
162 E Carson Street, Suite A
Colusa, CA 95932

Sacramento County
7001-A East Parkway, Suite 400
Sacramento, CA 95823

San Diego County
3255 Camino del Rio S.
San Diego, CA 92108

Los Angeles County
550 S. Vermont Avenue, 10th Floor
Los Angeles, CA 90020

San Luis Obispo County
2180 Johnson Avenue
San Luis Obispo, CA 93401

In compliance with the Americans with Disabilities Act, if you are a disabled person and you need a disability-related modification or accommodation to participate in this meeting, please contact Laura Li at (916) 859-4818 (telephone) or (916) 859-4805 (facsimile). Requests must be made as early as possible, and at least one full business day before the start of the meeting.

Materials relating to an item on this agenda submitted to this Board after distribution of the agenda packet are available for public inspection at 3043 Gold Canal Drive, Suite 200, Rancho Cordova, CA, 95670, during normal business hours.

EXECUTIVE COMMITTEE MEETING

1. CALL TO ORDER

2. ROLL CALL AND PUBLIC COMMENT INSTRUCTION

The Committee welcomes and encourages public participation in its meetings. This time is reserved for members of the public (including stakeholders) to address the Committee concerning matters on the agenda. Items not on the agenda are reserved for the end of the meeting. Comments will be limited to three minutes per person and 20 minutes total.

For agenda items, public comment will be invited at the time those items are addressed. Each interested party is to complete the Public Comment Card and provide it to CalMHSA staff prior to start of item. When it appears there are several members of the public wishing to address the Committee on a specific item, at the outset of the item, the Committee President may announce the maximum amount of time that will be allowed for presentation of testimony on that item. Comment cards will be retained as a matter of public record.

3. CalMHSA AGREEMENT FOR ADMINISTRATIVE AND FINANCIAL SERVICES WITH GEORGE HILLS

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A. Proposed Fourth Amendment to the Agreement between CalMHSA and George Hills

Recommendation: Recommend for Board of Directors approval of the Fourth Amendment to the George Hills contract.

4. PUBLIC COMMENT

This time is reserved for members of the public to address the Committee relative to matters of CalMHSA not on the agenda. No action may be taken on non-agenda items unless authorized by law. Comments will be limited to three minutes per person and twenty minutes in total. The Committee may also limit public comment time regarding agenda items, if necessary, due to a lengthy agenda.

5. CLOSING COMMENTS

6. ADJOURNMENT

Agenda Item

SUBJECT: CalMHSA Agreement for Administrative and Financial Services with George Hills

ACTION FOR CONSIDERATION:

Recommend for Board Approval of the Fourth Amendment to the George Hills contract.

BACKGROUND AND STATUS:

CalMHSA entered into a formal contract on October 28, 2009, with George Hills, to be the Administrative Company to manage CalMHSA. That contract was later amended upon the execution of the CalMHSA contract with the Department of Mental Health on April 15, 2010. Subsequently, and since then, the CalMHSA Finance Committee was asked to continually review the performance of the contract and the financial terms with GH and report to the board. At the December 13, 2013, Board of Directors Meeting, action was taken to approve the amended contract with GH, with a term of July 1, 2014 through June 30, 2017. With the GH Contract term coming to the end, the Finance Committee has met twice in 2017 to discuss and recommend for approval by the Board. At the March 27, 2017 Finance Committee meeting the recommendation was to go forward on a Sole Source basis the renewal and three-year extension of the GH Contract. At the April 13, 2017 Board meeting the item was discussed, but there was not a quorum to take action. However, based on input received at that meeting of a potential one-year extension, the Finance Committee met again on May 8, 2017 and reached the following conclusions:

1. Based on discussion, and the section below in italics, that conducting a RFI, RFQ, and/or RFP was not deemed necessary.
2. The GH proposed terms seemed reasonable and appropriate. The Finance Committee was in support of renewal, but could not reach consensus on the length of the contract—one, two, or three year term.
3. Finance Committee recommended that this item be reviewed by the CalMHSA Executive Committee for the purpose of making a recommendation for approval by the Board of a one, two, or three year renewal of contract.

As a matter of information, the following contract termination clause applies: "This Agreement may be terminated in the following ways:

- (a) By mutual agreement of the parties, expressed in writing.
- (b) By either party, without cause, by providing the other party not less than one ninety days (90) days written notice.
- (c) By either party at any time, for good cause, by providing the other party not less than sixty days (60) written notice. The party attempting to terminate this Agreement for good cause shall specifically outline in writing the factual bases for the allegations of good cause as defined herein, and shall give the other party thirty (30) days after

receiving the written notice of termination for good cause to cure the alleged cause for termination. The terminating party shall not unreasonably refuse to accept the proposed cure offered by the other party.

- (d) If CMHSA determines GH is abusing or defrauding, or has abused or defrauded CMHSA or others in relation to this Agreement, CMHSA may immediately terminate this Agreement upon verbal notice to GH to be followed by written notice.
- (e) If, during the term of this Agreement, State funds appropriated for the purpose of this Agreement are reduced or eliminated, CMHSA may immediately terminate this Agreement upon written notice to GH.

CalMHSA's Procurement Policy generally requires a competitive selection processes but includes exceptions recognizing that noncompetitive contracting may better serve CalMHSA in some cases. The Procurement Policy lists factors that may justify sole source contracting, including the following: "Retaining professional services, such as but not limited to, an attorney, auditor, manager or administrator, to maintain expertise, continuity, consistency and knowledge of CalMHSA." In this case the extension of the GH contract will allow for:

1. *Special knowledge and expertise of vendor, in that the staff provided by GH are specialized in managing CalMHSA's various and programs and JPA's in general, which are vital to the services required of CalMHSA.*
2. *Continuity - Continuation of programs without disruption. Any other administrator would have to furnish space, and hire and train new staff. The current administrator keeps expenses low by utilizing some staff on a part-time basis while their remaining time is dedicated to other GH related matters. This includes the JPA Administrative Manager, Finance Director and Chief Operations Officer, as well as IT, reception, and HR staff. Additionally, the contract has been able to retain certain subject matter expert staff at a reduced level (80%), which includes Program Manager and Program Director.*
3. *Comparability - The CalMHSA Finance Committee requested GH study comparable staffing and associated costs with two models: (1) another CSAC affiliated JPA (CSAC-EIA), and (2) a comparable county. In both cases, the cost per employee and associated costs exceed GH costs. Two sister BH County organizations that have structures to potentially achieve some fraction of CalMHSA's functions are CBHDA and CIBHS, both with different purposes and IRS status. In the past the Finance Committee [or Board] has also looked at the JPA hiring, managing and housing its own staff, but due to economies mentioned below, that alternative has not been found to be cost effective.*
4. *Efficiency - CalMHSA is unique in that it is an entity that provides program, administrative and fiscal services in support of its members acting alone or in collaboration with other departments. CalMHSA includes an extensive list of program operations, including but not limited to, administration of PEI services, contract and negotiations with state and/or other providers, risk pools, group purchasing, contract management, research and development, data management and maintenance of a research depository.*

GH's involvement in CalMHSA's creation and operation of these programs has been instrumental and its knowledge and experience could not easily be replaced. This includes retention of essential staff, relationships with stakeholders and program partners, and connections with key people at relevant state agencies. The contractual inability of a different administrator to employ current staff, other than the Executive Director, could result in a significant loss to CalMHSA's institutional memory and effectiveness.

In addition, the Finance Committee has found the cost of GH's services as a percentage of program dollars has been well within standards.

Time is another factor that has been considered. It is estimated that an RFP process could take 6-9 months. The cost for conducting such a RFP is unknown, but would likely require use of personnel other than CalMHSA staff to avoid conflicts of interest, assuming GH chose to compete for the contract. The uncertainty during that process could lead to erosion of staff morale and the loss of key staff. Moreover, if a new vendor is selected, the start-up and transfer period could be another several months.

Should the JPA determine that releasing an RFP is the preferred next step, the following is a draft summary of tasks for the JPA:

- 1. Prepare a timeline for the Board*
- 2. Follow Procurement Policy for Contract for services for RFP management*
- 3. Form a Board Committee for developing an RFP*
- 4. Recruit Review Committee/Panel*
- 5. Release RFP*
- 6. Collect and prepare responses to RFP questions*
- 7. Conduct Proposer's Question and Answer conference/webinar*
- 8. Collect letters of intent*
- 9. Develop a scoring tool and interview protocols*
- 10. Select a review panel*
- 11. Conduct training for Review Committee/Panel*
- 12. Collect Proposals*
- 13. Convene a Committee/Panel to review proposals and score*
- 14. Notification to the Board of final selections*
- 15. Obtain Board approval for contracting with final selection*

PROPOSED FOURTH AMENDMENT TO THE AGREEMENT BETWEEN CALMSHA AND George Hills

George Hills proposal for extension is as follows:

1. This extension allows for continued program funding and compensation.
2. The terms provide for flexibility in the event of CalMHSA funding decreases or increases adjustments.
3. In the event of increased programs or services, compensation shall increase to reflect the current hourly rate of \$99 per hour/per FTE. In the event of decreased program

funding, George Hills shall make similar adjustments downward FTE reductions required to support the revised budget.

4. Annual adjustments to the above rate, for cost of living, shall be limited to 2% per annum.

Upon full CalMHSA Board approval of an extension option, staff will move forward with finalizing and executing the Fourth Amendment to the Agreement.

RECOMMENDATION:

Recommend for Board Approval of the Fourth Amendment to the George Hills contract.

TYPE OF VOTE REQUIRED:

Majority vote of the Executive Committee

REFERENCE MATERIALS ATTACHED:

- Proposed Fourth Amendment to the Agreement between CalMHSA and George Hills

**FOURTH AMENDMENT TO THE AGREEMENT
FOR
ADMINISTRATIVE AND FINANCIAL SERVICES**

This FOURTH Amendment to the Agreement for Administrative and Financial Services (which, as modified, may be referred to as the “Fourth Amended Agreement”) is made and is effective as of the 1st day of July, 2017, by and between the California Mental Health Services Authority, hereinafter referred to as “CalMHSA”, and George Hills, hereinafter referred to as “GH”, a California Corporation. The provisions of the Third Amended Agreement shall continue to apply until July 1, 20____.

In consideration of the covenants and conditions hereinafter provided, CalMHSA and GH do hereby covenant and agree that the First Amended Agreement is amended in the following respects:

1. **The Fourth Amendment hereby amends the Third Amended Agreement to reflect the following:**
 - A. **Term** – Effective July 1, 2017 through, and including June 30, 20__.

 - B. Program Funding & Compensation -**
 - i. Program funding – The funding is anticipated to remain the same; however, in the event of funding decrease or increase, funding would be subject to adjustments as agreed by the parties.
 - ii. Compensation – Compensation is _____ (**see attached**). In the event of increased or decreased services required, George Hills Company shall make the necessary adjustment at the current hourly rate of \$99 per hour, per FTE.
 - iii. Annual adjustments to the above rate, for cost of living, shall be limited to 2% per annum.

IN WITNESS HEREOF, the parties hereto have executed this Agreement on June 14, 2017.

George Hills:

John Chaquica, CEO

Dated

California Mental Health Services Authority:

Terence M. Rooney, PhD, President

Dated

		6.8 FTE (8.3 less 1.5 for ED Contract 16/17 GHC Current Contract)	7.55 FTE (9.05 FTE less 1.5 ED Contract) 17/18 Proposed Budget \$6.9 Million CalMHSA Funding	9.25 FTE (10.75 FTE less ED Contract) 17/18 Target \$8.7 Million CalMHSA Funding
Contract Summary		\$96 Per Hour/Per FTE	\$99 Per Hour/Per FTE	\$99 Per Hour/Per FTE
Staff Salaries & benefits	\$	897,535	1,024,461	1,313,408
Unemployment/Vacation Reserve		26,928	35,736	40,438
Audit & Tax Return		3,250	3,348	3,788
Insurance		18,171	18,716	21,179
Legal Fees - Retainer		30,500	31,415	35,549
Payroll Fees and Bank Fees		15,580	16,047	18,159
Staff Travel/ Meetings/Conference Exp.		23,618	29,326	33,185
Information Technology Support		26,175	29,460	33,336
Technology Innovations Web/Do Mgmt.		5,000	5,150	5,828
Office Expense		75,873	88,150	99,748
Equipment		7,675	11,405	12,906
Telephone & Copy Expenses		30,613	31,531	35,680
Staff Appreciation		19,978	21,577	24,416
Software License/Maintenance Fee		5,204	6,360	7,197
Staff Training		3,335	4,435	5,018
Taxes, Fees & Fines		52,500	54,075	61,190
Miscellaneous		614	632	716
Rent		59,016	64,349	72,816
Reserves		56,260	78,523	80,204
Total Contract	\$	1,357,824	1,554,696	1,904,760

	<u>FTE</u>			<u>FTE</u>			<u>FTE</u>		
Contract for Admin & Finance Services	6.8	\$	1,357,824	7.55	\$	1,554,696	9.25	\$	1,904,760
Contract for Exec Director -Estimated & Separate Contract	1.5		299,520	1.5		308,880	1.5		308,880
	8.3	\$	1,657,344	9.05	\$	1,863,576	10.75	\$	2,213,640