

Board of Directors Meeting Agenda

Thursday, December 14, 2017

10:00 a.m. – 12:00 p.m.

(916) 233-1968

Code: 3043



Meeting Locations:

Courtyard Sacramento Cal Expo
1782 Tribute Road
Sacramento, CA 95815

San Francisco County
1380 Howard Street, 5th Floor
San Francisco, CA 94103

Kings County
460 Kings County Behavioral Health Suite 101
Hanford, CA 93230

California Mental Health Service Authority
(CalMHSA)
Board of Directors Meeting
Agenda

Thursday, December 14, 2017

10:00 a.m. – 12:00 p.m.

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.

A. BOARD OF DIRECTORS REGULAR MEETING

1. CALL TO ORDER

2. ROLL CALL AND INTRODUCTIONS

3. INSTRUCTIONS FOR PUBLIC COMMENT AND STAKEHOLDER INPUT

The Board welcomes and encourages public participation in its meetings. This time is reserved for members of the public (including stakeholders) to address the Board 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 Board on a specific item, at the outset of the item, the Board 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.

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B. Reports / Correspondence	
1. Cash Balance as of November 30, 2017.....	11
2. Projected Cash Flow as of November 30, 2017.....	12
3. Treasurer’s Report as of September 30, 2017.....	13

4. Draft CalMHSA Financial Audit, Fiscal Year Ended June 30, 2017 and 2016.....	17
5. Status Update of the Short Doyle 3/Fiscal Modernization (SD3) Project.....	49
6. State Hospitals Update	52

Recommendation: Approval of the Consent Calendar.

5. FINANCIAL MATTERS

A. Report out from the CalMHSA Finance Committee – Bill Walker.....	54
• Draft Minutes from the December 4, 2017 Finance Committee.....	55

Recommendation: Authorize Finance Committee to review and recommend to Executive Committee for approval, revisions to the budget as additional programs are rolled out, based on funding, required FTE, etc. (All board members are welcome to participate)

6. PROGRAM MATTERS

A. INN Tech Suite Update.....	59
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Recommendation: Discussion and/or action as deemed appropriate.

7. GENERAL DISCUSSION

A. Report from CalMHSA President – Terence M. Rooney.....	61
• General	
B. Report from CalMHSA Executive Director – Wayne Clark.....	62
• Fund Development – Lester Consulting Group	
• 1299 Update	
• General	

Recommendation: Discussion and/or action as deemed appropriate.

8. PUBLIC COMMENTS

A. Public Comments Non-Agenda Items

This time is reserved for members of the public to address the Board 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 20 minutes in total. The Board may also limit public comment time regarding agenda items, if necessary, in the case of a lengthy agenda.

9. NEW BUSINESS

General discussion regarding any new business topics for future meetings.

10. CLOSING COMMENTS

This time is reserved for comments by Board members and staff to identify matters for future Board business.

11. ADJOURNMENT

CONSENT CALENDAR
Agenda Item 4

SUBJECT: CONSENT CALENDAR

ACTION FOR CONSIDERATION:

Approval of the Consent Calendar.

BACKGROUND AND STATUS:

The Consent Calendar consists of items that require approval or acceptance but are self-explanatory and require no discussion. If the Board would like to discuss any item listed, it may be pulled from the Consent Calendar.

A. Routine Matters:

1. Minutes from the October 12, 2017 Board of Directors Meeting

B. Reports / Correspondence

1. Cash Balance as of November 30, 2017
2. Projected Cash Flow as of November 30, 2017
3. Treasurer's Report as of September 30, 2017
4. Draft Financial Audit for Fiscal Year Ending June 30, 2017
5. Status Report on Short Doyle/Fiscal Modernization Project
6. State Hospitals Update

FISCAL IMPACT:

See staff reports for fiscal impact.

RECOMMENDATION:

Approval of the Consent Calendar.

TYPE OF VOTE REQUIRED:

Majority vote.

REFERENCE MATERIAL(S) ATTACHED:

- October 12, 2017 Board of Directors Minutes
- Cash Balance as November 30, 2017
- Projected Cash Flow as of November 30, 2017
- Treasurer's Report as of September 30, 2017
- Draft Financial Audit for Fiscal Year Ending June 30, 2017
- Status Report on Short Doyle/Fiscal Modernization Project
- State Hospitals Update



"A George Hills Company Administered IPA"

**CalMHSA Board of Directors Meeting
Minutes from October 12th, 2017**

BOARD MEMBERS PRESENT

Alameda County – **James Wagner**
Alpine County – **Alissa Nourse**
Butte County – **Dorian Kittrell**
Colusa County – **Terrence M. Rooney**
Contra Costa County – **Warren Hayes** (*Alternate*)
Fresno County – **Dawan Utecht**
Glenn County – **Amy Linsey**
Humboldt County – **Emi Botzler-Rogers**
Kern County – **Bill Walker**
Kings County – **Ahmadreza Bahrami** (*Alternate*)
Lassen County – **Tiffany Armstrong**
Los Angeles County – **William Arroyo** (*Alternate*)
Madera County – **Dennis P. Koch**
Merced County – **Yvonnia Brown**
Modoc County – **Michael Traverso** (*Alternate*)
Orange County – **Mary Hale**
Placer County – **Amy Ellis**
Plumas County – **Bob Brunson**
Riverside County – **Steve Steinberg**
Sacramento County – **Uma Zykofsky**
San Bernardino County – **Veronica Kelley**
San Mateo – **Stephen Kaplan**
Shasta County – **Donnell Ewert**
Stanislaus County – **Kevin Panyanouvong** (*Alternate*)
Trinity County – **Noel O'Neill**
Yolo County – **Joan Beesley** (*Alternate*)

BOARD MEMBERS ABSENT

Berkeley County
Del Norte County
El Dorado County
Imperial County
Inyo County
Lake County
Marin County
Mendocino County
Mono County

Monterey County
Napa County
Nevada County
San Benito County
San Diego County
Santa Barbara County
Santa Clara County
Santa Cruz County
Sonoma County
Sutter/Yuba County
Tri-City Mental Health Center
Tulare County Tuolumne County
Ventura County

MEMBERS OF THE PUBLIC

STAFF PRESENT

Wayne Clark, CalMHSA Executive Director
John Chaquica, CalMHSA Chief Operations Officer
Ann Collentine, CalMHSA Program Director
Kim Santin, CalMHSA Finance Director
Laura Li, CalMHSA JPA Administrative Manager
Douglas Alliston, CalMHSA Legal Counsel
Theresa Ly, Program Manager
Armando Bastida, CalMHSA Executive Assistant
David Kert, CalMHSA Administrative Analyst

A. BOARD OF DIRECTORS MEETING

1. CALL TO ORDER

CalMHSA President Terence Rooney, Colusa County, called the board of directors meeting of the California Mental Health Services Authority (CalMHSA) to order at 3:15p.m. on October 12th, 2017 at the Courtyard by Marriott Cal Expo, in Sacramento California. President Rooney welcomed those in attendance as well as those listening in on the phone, and asked all present to introduce themselves.

President Rooney asked CalMHSA JPA Administrative Manager Laura Li to call roll, in order to confirm a quorum of the Board.

2. ROLL CALL AND INSTRUCTIONS

Ms. Li called roll and informed President Rooney a quorum was not reached. According to CalMHSA bylaws, since a quorum was not reached, the CalMHSA Executive Committee becomes the voting authority for the meeting. The Executive Committee had 7 of the 10 members present so all matters were voted upon by the Committee.

3. INSTRUCTIONS FOR PUBLIC COMMENT AND STAKEHOLDER INPUT

CalMHSA Legal Counsel, Douglas Alliston reviewed the instructions for public comment, and noted items not on the agenda would be reserved for public comment at the end of the agenda. Public comment cards to be submitted to Laura Li and individuals on the phone were instructed to email Laura Li with their comments.

4. CONSENT CALENDAR

President Rooney asked if anyone wished to pull anything for discussion from Board members. President Rooney entertained a motion for approval of the Consent Calendar.

Action: Approval of the Consent Calendar.

Motion: Dawan Utecht, Fresno County

Second: Karen Stockton, Modoc County

Motion passed unanimously.

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

None

5. PROGRAM PRESENTATION

Ann Collentine, Program Director, gave a presentation on Statewide PEI Project – FY 16/17 Impact on California.

Action: None, information only.

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

None.

6. FINANCIAL MATTERS

A. CalMHSA Annual Revenue and Expenditure Report – Amendment Budget June 30, 2018

Treasurer Walker presented an amendment to the target budget for FY17/18, since the target budget was reached and supplemental funding was received.

Action: Approve the CalMHSA Revenue and Expenditure Report – Amended Budget June 30, 2018.

Motion: William Arroyo, Los Angeles County

Second: Dawan Utecht, Fresno County

Approved by majority vote.

Motion passed.

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

None.

7. SUSTAINABILITY TASK FORCE

- A. Report from the Sustainability Task Force Principles for Allowing County Specific Projects Related to the Statewide PEI.

Dr. William Arroyo of the Taskforce provided a background regarding the funding challenges for CalMHSA PEI Statewide Project and a review of the actual principles being proposed.

Members

asked questions pertinent to the subject matter concerning the approval process, staff time, and who would be the lead on developing these projects. Members raised concerns that this could result in diluted statewide PEI. Staff will provide an analysis of possible scenarios at an upcoming board meeting.

Action: Approve the principles for implementing County Specific Projects, as adopted by the Sustainability Task Force.

Motion: William Arroyo, Los Angeles County

Second: William Walker, Kern County

Motion passed unanimously.

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

None.

8. PROGRAM MATTERS

- A. Status Update— Mental Health Plan Handbook Translation

Wayne Clark, Executive Director, Provided a status update regarding the handbook Translation. CalMHSA has been working with CBHDA. To date, DHCS has not finalized the handbook. Once the handbook is finalized, CalMHSA will draft a project scope and budget for what languages will be needed for how many counties.

Action: None, information only.

- B. Mental Health Technology Suite INN Project: Los Angeles County, Kern County, and other counties.

Wayne Clark, Executive Director, provided background on this project and that counties will be presenting to the MHSAOAC in order to use innovation funds for this project. CalMHSA is seeking approval to administer this project on behalf of specific counties. In the future, additional counties may be included in the proposed Multi-County Technology Suite Project. Moving forward, there are pending approvals by local county stakeholders, Board of Supervisors and the MHSAOAC.

Recommendation:

1. Approve CalMHSA to administer the Tech Suite Project, pending approval by the MHSOAC and pending other appropriate local approval, as necessary.

2. Approve CalMHSA to administer the Tech Suite Project on behalf of individual CalMHSA members, pending approval and action by the MHSOAC, through a participation agreement with each individual county and CalMHSA.

3. Delegate authority to the CalMHSA Executive Committee to negotiate final terms of all participation agreements for the Tech Suite Project.

Motion: William Walker, Kern County

Second: Dawan Utecht, Fresno County

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

None.

9. GENERAL DISCUSSION

A. Report from CalMHSA President – Terence Rooney

President Rooney reported on a very positive meeting between the CBHDA Executive Committee and the CalMHSA officers to discuss coordination, collaboration and future directions.

B. Report from CalMHSA Executive Director – Wayne Clark

Executive Director Clark reported on the proposed January 2018 meeting composed of interviewees from private fund development project. The purpose of the meeting is to establish a leadership council. Dr. Clark updated members on additional CalMHSA projects, including The 1299 Foster Care Presumptive Transfer Fiscal Intermediary Project and a potential multi county pilot for increasing prevention funding by using CPE/IGT to leverage with Federal Financial Participation. The CalMHSA Pathways document was mentioned as a tool that assists counties that want to act jointly in projects.

Action: Discussion and/or action as deemed appropriate.

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

None.

10. PUBLIC COMMENTS

President Rooney invited members of the public to make comments on non-agenda items.

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

None

11. NEW BUSINESS

General discussion regarding any new business topics for future meetings.

12. CLOSING COMMENTS

This time is reserved for comments by Board members and staff to identify matters for future Board business.

13. ADJOURNMENT

Hearing no further comments, the meeting was adjourned at 4:12P.M.

Respectfully submitted,

Steve Steinberg,
Secretary, CalMHSA

Date

CalMHSA
Cash Balance
As of November 30, 2017

Cash Balance, 6/30/2017	6,316,053.82
Cash Received 07/01 to 11/30/2017	7,526,084.97
Cash Payments 07/01 to 11/30/2017	(3,355,096.13)
Cash Balance, 11/30/2017	10,487,042.66

Cash Balance by Institution	
California Bank & Trust	50,353.00
Morgan Stanley Smith Barney	1,471.23
Local Agency Investment Fund	10,435,218.43
Cash Total 11/30/17	10,487,042.66

California Mental Health Services Authority
Projected Cash Flow
2017/2018

As of November 30, 2017

	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Totals
Beginning Cash Balance	6,316,053	5,927,931	7,546,450	11,200,700	10,700,563	10,487,042	9,754,207	9,668,637	8,857,292	8,126,545	7,409,798	6,679,051	6,316,053
Cash Receipts:													
Phase II - Sustainability 16-17				250,000									250,000
Phase III - Sustainability 17-18	102,570	1,203,197	3,567,048	247,045	297,602	200,000	200,000						5,817,463
Private Fund Develop - Member Fee 16-17		22,744				142,548							165,292
Private Fund Develop - Member Fee 17-18	27,391	103,829	51,216	6,571	16,752	101,464	101,464						408,687
Suicide Prevention Hotline 17-18		517,257	6,644	19,931									543,832
State Hospital Beds 16-17	51,874						269,000						320,874
State Hospital Beds 17-18		92,532	30,844	28,040	16,824	194,085	194,085						556,410
RAND - LA Tech Assist						92,000							92,000
Other (LAIF Interest, donations, etc.)	20,277	4,864	810,374	30,659			16,000			14,000			896,174
Total Cash Receipts	202,112	1,944,423	4,466,126	582,246	331,178	730,097	780,549	-	-	14,000	-	-	9,050,731
Cash Expenses:													
PEI/Phase I Obligations 2014/15						595,812							595,812
Phase II Obligations 2016/17	247,895	133,493	586,410	241,462	-	80,597	80,597	80,597					1,451,050
Phase III Obligations 2017/18		20,839	23,064	236,463	296,411	390,403	390,403	390,403	390,403	390,403	390,403	390,403	3,309,597
Suicide Prevention Hotline	57,749			160,036	51,532	37,631	37,631	37,631	37,631	37,631	37,631	37,631	532,733
Plumas Wellness Center	8,573	60	30,070										38,703
TTACB Contract						17,843	17,843	17,843	17,843	17,843	17,843	17,843	124,898
State Hospital Beds	88,750	18		88,713		69,047	69,047	69,047	69,047	69,047	69,047	69,047	660,811
Fiscal Modernization Project	3,648	10,000				5,525	5,525	5,525	5,525	5,525	5,525	5,525	52,320
Sutter	13,183	2,223	16,056	23,475	11,672	49,776	49,776						166,160
RAND - LA Tech Assist				59,668									59,668
Community Response Plan													-
Drug Medi-Cal													-
PNWE													-
EDC													-
Orange County													-
WET Program Expenditures						18,559	18,559	18,559	18,559	18,559	18,559	18,559	129,911
Research & Development													-
Private Fund Development	15,000	23,858	15,000	17,780	15,000	21,328	21,328	21,328	21,328	21,328	21,328	21,328	235,933
Total Administrative Expenses	155,437	135,413	141,277	254,786	170,084	176,413	175,413	170,413	170,413	170,413	170,413	205,413	2,095,885
Total Cash Expenses	590,234	325,903	811,876	1,082,383	544,699	1,462,932	866,120	811,344	730,747	730,747	730,747	765,747	9,453,481
Ending Cash Balance	5,927,931	7,546,450	11,200,700	10,700,563	10,487,042	9,754,207	9,668,637	8,857,292	8,126,545	7,409,798	6,679,051	5,913,303	5,913,303



"A George Hills Company Administered JPA"

Treasurer's Report

As of September 30, 2017

	Book Balance	Market Value	Effective Yield
Local Agency Investment Fund	\$10,067,064	\$10,057,420	1.11%
Morgan Stanley – Money Trust	1,296	1,296	0.02%
Cash with California Bank & Trust	1,132,341	1,132,341	0.00%
Total Cash and Investments	\$11,200,701	\$11,191,057	1.00%

Attached are the Local Agency Investment Fund (LAIF) statements detailing all investment transactions.

The LAIF market value was derived by applying the September 2017 fair value factor of 0.999042071 to the book balance.

I certify that this report reflects all cash and investments and is in conformance with the Authority's Investment Policy. The investment program herein shown provides sufficient cash flow liquidity to meet the Authority's expenditures for the next six (6) months.

Respectfully submitted,

Accepted,



Kim Santin, Finance Director



William Walker, Treasurer

Local Agency Investment Fund
P.O. Box 942809
Sacramento, CA 94209-0001
(916) 653-3001

CALIFORNIA MENTAL HEALTH SERVICES
AUTHORITY
STAFF
3043 GOLD CANAL DRIVE, SUITE 200
RANCHO CORDOVA, CA 95670

www.treasurer.ca.gov/pmia-laif/laif.asp
August 02, 2017

PMIA Average Monthly Yields

Account
Number:

Tran Type Definitions

July 2017 Statement

Effective Date	Transaction Date	Tran Type	Tran Confirm Number	Authorized Caller	Amount
7/14/2017	7/13/2017	QRD	1542984	SYSTEM	16,876.87
7/26/2017	7/25/2017	RW	1544590	KIM SANTIN	-550,000.00

Account Summary

Total Deposit:	16,876.87	Beginning Balance:	6,250,187.00
Total Withdrawal:	-550,000.00	Ending Balance:	5,717,063.87

Local Agency Investment Fund
P.O. Box 942809
Sacramento, CA 94209-0001
(916) 653-3001

www.treasurer.ca.gov/pmia-laif/laif.asp
September 01, 2017

CALIFORNIA MENTAL HEALTH SERVICES
AUTHORITY
STAFF
3043 GOLD CANAL DRIVE, SUITE 200
RANCHO CORDOVA, CA 95670

PMIA Average Monthly Yields

**Account
Number:**

Tran Type Definitions

August 2017 Statement

Effective Date	Transaction Date	Tran Type	Tran Confirm Number	Authorized Caller	Amount
8/21/2017	8/18/2017	RD	1546451	KIM SANTIN	1,300,000.00
8/28/2017	8/25/2017	RW	1546875	KIM SANTIN	-150,000.00

Account Summary

Total Deposit:	1,300,000.00	Beginning Balance:	5,717,063.87
Total Withdrawal:	-150,000.00	Ending Balance:	6,867,063.87

Local Agency Investment Fund
P.O. Box 942809
Sacramento, CA 94209-0001
(916) 653-3001

www.treasurer.ca.gov/pmia-laif/laif.asp
October 04, 2017

CALIFORNIA MENTAL HEALTH SERVICES
AUTHORITY
STAFF
3043 GOLD CANAL DRIVE, SUITE 200
RANCHO CORDOVA, CA 95670

PMIA Average Monthly Yields

Account Number:

Tran Type Definitions

September 2017 Statement

Effective Date	Transaction Date	Tran Type	Tran Confirm Number	Authorized Caller	Amount
9/21/2017	9/20/2017	RD	1548550	KIM SANTIN	2,500,000.00
9/25/2017	9/22/2017	RD	1548769	KIM SANTIN	700,000.00

Account Summary

Total Deposit:	3,200,000.00	Beginning Balance:	6,867,063.87
Total Withdrawal:	0.00	Ending Balance:	10,067,063.87

CONSENT CALENDAR
Agenda Item 4.B.4

SUBJECT: DRAFT CALMHSA FINANCIAL AUDIT, FISCAL YEAR ENDED JUNE 30, 2017 AND 2016

ACTION FOR CONSIDERATION:

Board of Directors to discuss and/or approve the filing of the draft Financial Audit.

BACKGROUND AND STATUS:

In accordance with Article 7, Section 7.1 of the Bylaws, which states “the Board shall cause to be made, by a qualified, independent individual or firm, an annual audit of the financial accounts and records of the Authority,” James Marta & Company has provided a first draft of their audit of CalMHSA’s financial statements for the year ending June 30, 2017 and 2016.

FISCAL IMPACT:

None.

RECOMMENDATION:

Board of Directors to discuss and/or approve the filing of the draft Financial Audit.

TYPE OF VOTE REQUIRED:

Majority vote.

REFERENCE MATERIAL(S) ATTACHED:

- Draft CalMHSA Financial Audit, Fiscal Year ending June 30, 2017 and 2016

**CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY
FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEARS ENDED
JUNE 30, 2017 AND 2016**



DRAFT

California Mental Health Services Authority

Board of Directors

JUNE 30, 2017

Executive Committee

Terence M. Rooney, PhD	President	Colusa County
Dawan Utecht	Vice President	Fresno County
Steve Steinberg	Secretary	Riverside County
Bill Walker	Treasurer	Kern County
William J Carter	Bay Area Region	Napa County
Uma Zykofsky, LCSW	Central Region	Sacramento County
Jonathan E. Sherin, MD, PhD	Los Angeles Region	Los Angeles County
William Arroyo	Los Angeles Region	Los Angeles County
Anne Robin, LMFT	Southern Region	San Luis Obispo County
Alfredo Aguirre, LCSW	Southern Region	San Diego County
Noel J. O'Neill, MFT	Superior Region	Trinity County
Dorian Kittrell	Superior Region	Butte County

Board Members

James Wagner	Alameda County	Amy Ellis	Placer County
Alissa Nourse	Alpine County	Bob Brunson	Plumas County
Steven Grolnic-McClurg, LCSW	City of Berkeley	Allan Yamamoto, LCSW	San Benito County
Cynthia Belon, LCSW	Contra Costa County	Veronica Kelley, LSCW	San Bernardino County
Heather Snow	Del Norte County	Kavoos Ghane	
Patricia Charles-Heathers	El Dorado County	Bassiri, LMFT, LPCC, CGP	San Francisco City and County
Amy Lindsey	Glenn County	Cindy Morishige, LCSW	San Joaquin County
Donna Wheeler	Humboldt County	Stephen Kaplan	San Mateo County
Andrea Kuhlen, MPA	Imperial County	Alice Gleghorn, PhD	Santa Barbara County
Gail Zweir, PhD	Inyo County	Toni Tullys	Santa Clara County
Lisa Lewis, PhD	Kings County	Erik Riera, MEd, CAS, MBA	Santa Cruz County
Todd Matcalf	Lake County	Donnell Ewert, MPH	Shasta County
Tiffany Armstrong	Lassen County	Sarah Collard	Siskiyou County
Dennis P. Koch, MPA	Madera County	Sandra Sinz	Solano County
Suzanne Tavano, PHN, PhD	Marin County	Michael Kennedy, MFT	Sonoma County
Chevon Kothari	Mariposa County	Rick DeGette	Stanislaus County
Jenine Miller, Psy. D.	Mendocino County	Tony Hobson	Sutter-Yuba County
Yvonna Brown, MSW	Merced County	Antonette "Toni" Navarro	Tri-City Mental Health Center
Karen Stockton, PhD, MSW	Modoc County	Timothy Durick, PsyD	Tulare County
Robin Roberts, MFT	Mono County	Ann Connolly	Tuolumne County
Amie Miller	Monterey County	Elaine Crandall	Ventura County
Rebecca Slade, LMFT	Nevada County	Karen Larsen	Yolo County

California Mental Health Services Authority

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
California Mental Health Services Authority
Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of California Mental Health Services Authority ("CalMHSA") as of and for the fiscal years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise CalMHSA's basic financial statements as listed in the table of contents.

Managements Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States or the minimum requirements prescribed by the State Controller's Office for special district audits. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of California Mental Health Services Authority as of June 30, 2017 and 2016, and the respective changes in financial position for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and State regulations governing special districts.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, Statement of Revenues, Expenditures and Change in Fund Balance – Budget (Non-GAAP) and Actual – General Fund – June 30, 2017 and Statement of Revenues, Expenditures and Change in Fund Balance – Budget (Non-GAAP) and Actual – General Fund – June 30, 2016 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated **DATE** on our consideration of California Mental Health Services Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

DRAFT

James Marta & Company
Certified Public Accountants
Sacramento, California

DATE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of California Mental Health Services Authority (“CalMHSA”) is pleased to present the following discussion and analysis that provides an overview of the financial position and activities of the Authority for the fiscal years ended June 30, 2017 and 2016. The discussion should be read in conjunction with the financial statements and accompanying notes, which follow this section.

Overview of CalMHSA

CalMHSA is an independent administrative and fiscal government agency focused on the efficient delivery of California mental health projects. On June 11, 2009, six California counties established CalMHSA as a Joint Powers Authority (JPA) to jointly develop, fund and implement mental/behavioral health projects and educational programs at the state, regional and local levels. California county members can act alone or in collaboration, to participate in the statewide Prevention and Early Intervention (PEI) projects, contract and/or negotiate with State or other providers for mental hospital beds, contract and/or negotiate with the State or federal government for administration of mental health services, operate program risk pools, technical assistance and capacity building program, workforce education training program, and other projects as deemed appropriate.

CalMHSA is headed by a separate Board of Member Counties and an Executive Committee comprised of officers and Statewide Regional Representatives. It employs the administrative firm, specializing in JPA management, of George Hills Company, Inc. and separate legal counsel of Murphy Campbell Guthrie & Alliston. CalMHSA operates within the statutes governing Joint Powers Agreement entities and complies with the Brown Act open meeting requirements.

As of June 30, 2017, 56 members (54 counties, one city and one JPA) work together to develop, fund programs that include, but not limited to, prevention and early intervention, State or other mental hospital beds and similar related services, State or federal government for administration of mental health services, programs or activities including but not limited to the Drug Medi-Cal Treatment Program, managed mental health care, delivery of specialty mental health services; operate program risk pools; provide any other similar or related fiscal or administrative services that would be of value to Members such as group purchasing, contract management, research and development, data management, maintenance of a research depository, training, technical assistance; capacity building; education and training; research, develop, and execute any appropriate policy request from the California State Association of Counties (CSAC) or its affiliates, on a statewide, regional or local level.

Background

In 2004, California voters passed Proposition 63 (The Mental Health Services Act) (MHSA), landmark legislation that created an ongoing funding source and a framework for transforming California’s traditional community mental health system into a system equipped to support prevention and wellness, and on addressing the unmet needs of California’s diverse and underserved population groups with culturally relevant and effective services and education. In 2007, the MHSOAC, which was created as a stipulation of the MHSA to oversee the management of these funds, approved a one-time investment of

\$160 million over four-years. Three strategic initiatives were identified through a stakeholder process and approved by the MHSOAC in May 2008, for the distribution of this one-time allocation: \$40 million for Suicide Prevention (SP), \$60 million for Student Mental Health (SMH), and \$60 million for Stigma and Discrimination Reduction (SDR). On April 15, 2010, CalMHSA executed a contract with the California Department of Mental Health (CDMH) for the amount not to exceed \$160 million. The term of this contract was through June 30, 2014.

Sustainability - Phase I & Phase II

As the end of the four-year period approached, the CalMHSA Board of Directors adopted a two-phase planning strategy for continuing the investment in statewide PEI efforts. In April 2014, the CalMHSA Board approved a Phase I Funding Plan to sustain the existing Statewide PEI projects through June 30, 2015. Phase I continued some of the current CalMHSA PEI Statewide Projects existing funds and a winding down of others pursuant to the guidance of stakeholders and Board. Phase I was recognized as a short-term sustainability solution for the purpose of providing program partners with additional time to successfully complete their activities and deliverables, and to reduce the risk of any adverse consequences of discontinuing activities (e.g., the ability to measure long-term impact).

In August 2014, the CalMHSA Board approved a Phase II Funding Plan for purpose of continuing work related to PEI projects through June 30, 2017. Funding for Phase I and Phase II is derived from current county members committing a range of 1% to 7% funding from their local PEI funds in addition to CalMHSA seeking other funding to include state and federal resources.

2016/2017 Program Highlights

Statewide PEI Project

Key achievements of the Statewide PEI Project during the fiscal year include:

- Reaching the milestone of disseminating over 1 million lime green ribbons
- Over 1 million hardcopy materials were disseminated in counties, schools, and CBOs
- Over 450 people attended the inaugural Each Mind Matters webinar series
- Over \$250,000 in mini-grant funds were provided to CBOs, NAMI affiliates, Active Minds Chapters and Community Colleges to host community outreach events utilizing Each Mind Matters resources and messaging
- The Directing Change Program received over 480 videos submissions from over 100 schools across California, engaging over 1,300 students and impacting overall school climate
- Over 25 new Each Mind Matters culturally adapted resources were developed
- Over 70 news broadcasts, news articles and radio reports discussed programs implemented by the Statewide PEI Project
- Nearly 700 county agencies, schools, local and statewide organizations across California were touched by programs implemented by the Statewide PEI Project

While the CalMHSA Statewide PEI Project has made significant accomplishments since its inception in 2011, there continues to be a critical need to continue the investment over the long term. The Phase II Plan for sustaining CalMHSA Statewide PEI Projects called for \$20 million per year - \$10 million was expected to be raised from county MHSAs contributions, and \$10 million was expected to be raised from state, federal, or foundation funding. Despite numerous attempts to find diverse funding to sustain the Phase II Plan, funding for implementation has come solely from counties. This has resulted in a reduced implementation of the Plan based upon priorities set out by the Board.

During 2016 a feasibility study was conducted for the purpose of ascertaining potential private interest and support of CalMHSA Statewide PEI Project via a subcontract with a known expert in fund raising. Positive outcomes were derived from the feasibility study indicating there is private interest in possibly funding the Statewide PEI Project, and great interest in the development of a Leadership Council that would help guide efforts towards a fund-raising campaign.

In October 2016, CalMHSA entered into a contract with Lester Consulting Group (LCG) for the purpose of fund development for a three year term. The Board approved a \$500,000 annual budget for each of the next three years, which will pay for LCG consulting services, fund development staff and all associated costs, via a special member fee. Collectively, these funds will allow CalMHSA to implement a project which builds a public/private partnership and campaign that will continue to advance mental wellness in California. This activity is accounted for as one of the strategic programs on the financial statements.

Strategic Programs

In addition to the Statewide PEI program, the following strategic programs are also included in CalMHSA's operations during the fiscal year ended June 30, 2017:

- **Fiscal Modernization** - the goal of the pilot study is to provide counties with the background and structure necessary to consider the risks and benefits associated with proposing changes to California's current specialty mental health delivery system and financial risk structure.
- **State Hospital Beds** - CalMHSA acts on behalf member counties (and possibly non-member counties via a contract) in the annual purchase contract for State Hospital Beds (as provided under sections 4330 et seq. of WIC).
- **Wellness Center** – This program was funded by the County of Plumas. CalMHSA, acting as the contract administrator for the County, has contracted with the Plumas Crisis Intervention Resource Center (PCIRC) to establish Wellness Centers in the communities of Chester, Greenville, Portola and Quincy. These Wellness Center will compliment and build on the existing Family Resource Center Model and will be developed with an understanding of best practices in the delivery of community mental health services.
- **Suicide Prevention Hotline** – CalMHSA contracted with Kings View Behavioral Health to operate the Central Valley Suicide Prevention Hotline with specialized support and outreach provided to the seven contributing counties of Fresno, Kings, Mariposa, Madera, Merced, Stanislaus and Tulare.

- **Community Response Plan** – CalMHSA contracted with subject matter experts to develop a comprehensive suicide response protocol/toolkit for the rural community of the Tahoe/Truckee area.
- **Psychiatric Nurse Workforce Exploration (PNWE)** – CalMHSA will research and explore opportunities to increase the number of psychiatrists and/or psychiatric Nurse Practitioners in the Central Region. After sharing findings with county representatives on the Central Region sub-committee, CalMHSA may contract with subject matter experts to develop a program that meets the needs of the region.
- **Drug Medi-Cal** – CalMHSA provided Drug Medi-Cal Organized Delivery System (DMC-ODS) Waiver trainings to counties that opted into the DMC-ODS Waiver, counties that received approval to form a regional delivery system, and providers selected by counties to provide DMC-ODS Waiver services.
- **Orange County** – Orange County, Member of CalMHSA, utilized CalMHSA for procuring consulting services, using various providers, for purposes related to completion of the California Health Facilities Financing Authority application and contract procurement for Crisis Stabilization Units.
- **Education Development Center (EDC)** – EDC’s suicide prevention resource center is funded by the Substance Abuse and Mental Health Services Administration to provide suicide prevention services and resources to a variety of professionals. CalMHSA will create a brief set of guidelines to help staff in state and community programs develop culturally competent suicide prevention materials for the audiences they serve, drawing on CalMHSA’s experience tailoring resources for California’s diverse communities.
- **Sutter Health Systems** – Sutter Health Valley Area funding would support the Each Mind Matters (EMM) Community Integration and Stigma Reduction Proposal. Grantee will provide community based organization Stigma and Discrimination Reduction (SDR) engagement grants, school SDR engagement grants, will disseminate SDR/EMM materials to Sutter facilities and partners, and will provide assistance on SDR/EMM message integration and use of materials, for maximum impact.
- **Los Angeles County Technical Assistance** – The Los Angeles County Department of Mental Health (LACDMH) proposes to engage in a multi-county Innovation project to work with one or more technology companies with experience with virtual mental health care platforms. This includes the capacity to implement technology-based mental health solutions accessed through multifactor devices (for example, a computer, smartphone, etc.) to identify and engage individuals, provide automated screening and assessments and improve access to mental health and supportive services focused on prevention, early intervention, family support, social connectedness and decreased use of psychiatric hospitals and emergency services.

Financial Highlights for the Fiscal Year Ended June 30, 2017

Revenues	\$ 7.4 million	Revenues decreased \$1.1 million over the prior year. The decrease in revenues was primarily a result of one-time funding of \$1 million for the Plumas Wellness Center recorded in the 2015/16 fiscal year. Additionally, decreases in funding for State Hospital Beds (\$355 thousand) and PEI (\$491 thousand) were offset by new sources of funding for Public/Private Partnership Development (\$448 thousand) and the Sutter Health Systems contract (\$250 thousand).
Expenses	\$8.7 million	Expenses decreased \$3.8 million or 31% over the prior year. The budget for current year Phase II sustainability contracts was significantly less than the prior year. Expenses continue to exceed revenue to continue the contract obligations and net assets of prior years.
Assets	\$7.3 million	Assets decreased \$1.6 million over the prior year due as a result of payments made to contractors during the year.
Liabilities	\$2.0 million	Liabilities decreased \$300 thousand over the prior year. As deliverables were received and contracts were closed out, this resulted in less amounts owed to contractors at year-end.

Description of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to CalMHSA's financial statements: the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets. The statements are accompanied by footnotes to clarify unique accounting policies and other financial information, and required supplementary information. The assets, liabilities, revenues and expenses of CalMHSA are reported on a full-accrual basis.

The **Statement of Net Assets** presents information on all of CalMHSA's assets and liabilities, with the difference between the two representing net assets (equity). Changes from one year to the next in total net assets as presented on the Statement of Net Assets are based on the activity presented on the Statement of Revenues, Expenses and Changes in Net Assets.

The **Statement of Revenues, Expenses and Changes in Net Assets** is CalMHSA's income statement. Revenues earned and expenses incurred during the year are classified as either "operating" or "nonoperating". All revenues and expenses are recognized as soon as the underlying event occurs, regardless of timing of the related cash flows.

The **Notes to the Financial Statements** provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes describe the nature of

CalMHSA's operations and significant accounting policies as well as clarify unique financial information.

Analysis of Overall Financial Position and Results of Operations

The following sections provide additional details on CalMHSA's financial position and activities for fiscal years 2017 and 2016, and a look ahead at economic conditions that may affect CalMHSA in the future.

I. Statement of Net Assets

	2017	2016	2015	Change Over Prior Year
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 6,309,433	\$ 7,713,846	\$ 14,220,664	-18%
Investments - current portion				
Contractor prepayments		60,000		
Accounts receivable	905,116	1,039,048	788,380	-13%
Prepaid expenses	44,583			100%
Total Current Assets	<u>7,259,132</u>	<u>8,812,894</u>	<u>15,009,044</u>	-18%
Investments - Noncurrent				
Total Assets				
	<u>7,259,132</u>	<u>8,812,894</u>	<u>15,009,044</u>	-18%
LIABILITIES				
Current Liabilities				
Accounts payable	1,950,661	1,541,735	4,481,941	27%
Deferred revenue	52,093	780,361	122,345	-93%
WET Program Funding				
Total Current Liabilities	<u>2,002,754</u>	<u>2,322,096</u>	<u>4,604,286</u>	-14%
RESTRICTED NET POSITION				
	<u>\$ 5,256,378</u>	<u>\$ 6,490,798</u>	<u>\$ 10,404,758</u>	-19%

Total assets decreased by \$1.6 million from \$8.8 million at June 30, 2016 to \$7.3 million at June 30, 2017. The assets were expected to decrease as payments to contractors for final deliverables and production of products for Phase II were made.

Liabilities decreased \$300 thousand from the prior year. Some of the final deliverables for Phase II were received and contracts closed out subsequent to the fiscal year ended June 30, 2017. Since payments for these contracts were made after year-end, it resulted in higher amounts owed to contractors at year-end than in the previous year. This increase was offset by a decrease in deferred revenue, CalMHSA's liability to member counties who prepaid 2016/17 and 2017/18 contributions during the fiscal year ended June 30, 2016. The applicable contributions were recognized as revenue during the fiscal year ended June 30, 2017.

II. Statement of Revenues, Expenses and Changes in Net Assets

	2017	2016	2015	Change Over Prior Year
Operating revenues	\$ 7,410,292	\$ 8,553,192	\$ 7,095,078	-13%
Operating expenses:				
Program expenses	7,979,846	12,033,564	26,200,594	-34%
Indirect expenses	718,831	484,161	1,336,150	48%
Total operating expenses	<u>8,698,677</u>	<u>12,517,725</u>	<u>27,536,744</u>	-31%
Operating income/(loss)	(1,288,385)	(3,964,533)	(20,441,666)	-68%
Nonoperating income	<u>53,965</u>	<u>50,573</u>	<u>91,473</u>	7%
Increase/(decrease) in net assets	(1,234,420)	(3,913,960)	(20,350,193)	
Net position, beginning of year	6,490,798	10,404,758	30,754,951	-38%
Net position, end of year	<u>\$ 5,256,378</u>	<u>\$ 6,490,798</u>	<u>\$ 10,404,758</u>	-19%

For the fiscal year ended, June 30, 2017, total revenue (operating and non-operating) decreased by \$1.1 million. The decrease in revenues was primarily a result of one-time funding of \$1 million for the Plumas Wellness Center recorded in the 2015/16 fiscal year. There were new sources of funding in 2016/2017 - Public/Private Partnership Development of \$448 thousand and the Sutter Health Systems contract of \$250 thousand. However, this new revenue was offset by decreases in funding for State Hospital Beds (\$355 thousand) and PEI (\$491 thousand).

Operating expenses were \$8.7 million in fiscal year 2017. This was a \$3.8 million or 31% decrease compared to 2016. The decrease is a result of significant reductions in current year budgeted amounts for Phase II sustainability contracts compared with the prior year.

Description of Facts or Conditions that are expected to have a Significant Effect on Financial Position or Results of Operations

Through implementation of the Phase III CalMHSA Statewide PEI Project Plan (PEI Project), CalMHSA and its member counties will embark on the 7th year of PEI Project activities. The PEI Project continues to be endorsed by counties but funding with local MHSA funds continues to be challenging as 1) local stakeholders continue to question the applicability and effectiveness of the PEI Project to address specific local needs, 2) contributions to the PEI Project is becoming more difficult to justify year after year, particularly for the larger counties that contribute a higher proportion of the overall Project budget, 3) larger counties that have enough local funding tend to prefer investing funds in developing their own programs, instead of contributing to statewide efforts and 4) counties and stakeholders have expressed great support for the programs – particularly the social marketing campaigns such as Each Mind Matters and Know the Signs – but have also expressed that they are too broad and non-specific to address the local needs of specific target audiences.

Given these concerns, some counties may have declined or reduced their funding level to the PEI Project because of lack of local stakeholder support for statewide initiatives that don't directly apply to specific local needs. CalMHSA wants to facilitate continued county investment in the PEI Project by allowing more flexibility for local activities, referred to as "county specific projects". These county-specific projects would be built from programs that are currently implemented under the Statewide PEI Project, such as Each Mind Matters, Know the Signs, Walk In Our Shoes, Directing Change, or others. Working with the Finance Committee and the Sustainability Task Force, CalMHSA staff will develop a financing and budget framework for how County Specific Projects can be implemented and applied to a region of counties in FY 2018/2019.

The feasibility study conducted in 2016 made it clear that private parties intend to only support activities, not supplant the current funding, and will supplement commensurate with county funding. This requires that counties commit to maintain and build a level of funding in order to secure and leverage those additional private funds - estimated county support to eventually reach \$15 million per year.

BASIC FINANCIAL STATEMENTS

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 6,309,433	\$ 7,713,846
Prepaid expenses	44,583	60,000
Receivables	905,116	1,039,048
Total Current Assets	<u>\$ 7,259,132</u>	<u>\$ 8,812,894</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 1,950,661	\$ 1,541,735
Unearned revenue	52,093	780,361
Total Current Liabilities	<u>2,002,754</u>	<u>2,322,096</u>
FUND BALANCE / NET POSITION		
Net Postion:		
Operations	527,123	776,519
Obligated Funds Under Contract:		
International SDR Conference	(50,113)	(50,113)
Tech Asst/Capacity Building	203,272	203,272
WET Program Funding	148,470	148,470
Fiscal Modernization	96,309	169,910
SHB Program Funding	1,683,903	1,347,309
Wellness Center	139,626	620,938
Suicide Prevention Hotline	119,715	34,015
Community Response Plan	1,045	10,749
PNWE	7,576	7,576
Drug Medi-Cal	(6,603)	(5,322)
Orange County	2,862	2,862
Education Development Center, Inc.	2,024	3,493
Statewide PEI Project	1,890,674	3,221,120
Sutter Health Systems	190,477	-
LA County Tech Assist	46,788	-
Public/Private Partnership Development	253,230	-
Total Restricted	<u>5,256,378</u>	<u>6,490,798</u>
Total Liabilities and Fund Balance/Net Position	<u>\$ 7,259,132</u>	<u>\$ 8,812,894</u>

	Strategic			2017	2016
	Programs	Operations	PEI		
REVENUES:					
Wellness Center Funding	\$ -	\$ -	\$ -	\$ -	\$ 1,000,000
Suicide Prevention Hotline Funding	636,376	-	-	636,376	627,642
Community Response Plan Funding	5,000	-	-	5,000	34,000
PNWE Funding	-	-	-	-	10,000
SHB Funding	550,802	-	-	550,802	905,508
Feasibility Study Funding	(13,281)	-	-	(13,281)	-
PEI Funding	-	-	5,437,065	5,437,065	5,959,792
Orange County Funding	-	-	-	-	12,500
Conference Registration	-	-	-	-	(20,421)
EDC Funding	3,000	-	-	3,000	3,500
Application Fee	-	500	-	500	250
Sutter Health Systems Funding	250,000	-	-	250,000	-
LA County Tech Assist Funding	92,000	-	-	92,000	-
Public/Private Partnership Development Funding	448,230	-	-	448,230	-
License Royalty Fee	-	600	-	600	-
Investment Income	-	53,965	-	53,965	50,573
Total Revenue	1,972,127	55,065	5,437,065	7,464,257	8,583,344
EXPENDITURES/EXPENSES:					
Program Expenses					
SDR Conference	-	-	-	-	3,117
SHB Program Expense	214,208	-	-	214,208	9,963
Feasibility Study Expense	60,320	-	-	60,320	84,371
Program Expense	-	189,091	6,164,050	6,353,141	10,808,637
Wellness Center Expense	481,312	-	-	481,312	370,262
Suicide Prevention Hotline Expense	550,676	-	-	550,676	499,481
Community Response Plan Expense	14,704	-	-	14,704	18,151
PNWE Expense	-	-	-	-	924
Drug Medi-Cal Expense	1,806	-	-	1,806	4,797
Orange County Expense	-	-	-	-	7,763
EDC Expense	3,944	-	-	3,944	7
Sutter Health Systems Expense	59,523	-	-	59,523	-
LA County Tech Assist	45,212	-	-	45,212	-
Public/Private Partnership Development Expenses	195,000	-	-	195,000	-
Total Program Expense	1,626,705	189,091	6,164,050	7,979,846	11,807,473
General and Administration					
Total Expenditures/Expenses	-	115,370	603,461	718,831	689,831
	1,626,705	304,461	6,767,511	8,698,677	12,497,304
Change in Fund Balance/Net Position	345,422	(249,396)	(1,330,446)	(1,234,420)	(3,913,960)
FUND BALANCE/NET POSITION					
Beginning of year	2,493,159	776,519	3,221,120	6,490,798	10,404,758
End of year	\$ 2,838,581	\$ 527,123	\$ 1,890,674	\$ 5,256,378	\$ 6,490,798

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

California Mental Health Services Authority ("CalMHSA") is an independent administrative and fiscal government agency focused on the efficient delivery of California Mental Health Projects. CalMHSA was established by a Joint Powers Agreement on July 1, 2009, under Government Code Section 6500 et seq. among California Counties to obtain and administer public funds to provide certain community mental health services to persons residing within the same counties and cities. Member counties jointly develop, fund and implement mental health services, projects, and educational programs at the state, regional, and local levels. CalMHSA is governed by a Board of Directors, which is composed of the local county or city mental health director from each member, appointed or designated. As of June 30, 2017, there were 56 members (54 counties, one city and one JPA).

Admission

To be accepted for membership in CalMHSA, counties must complete an application form and submit the required application fee. The application fee ranges from \$250 - \$1,000 depending on the most recent county population figures published by the State Department of Finance. Counties must then submit a signed participation resolution to CalMHSA that has been approved by the county's Board of Supervisors, execute the Joint Powers Authority Agreement and agree to be bound by any subsequent amendments to the agreement, designate an alternate to the Board as representative and complete the required Fair Political Practices Commission (FPPC) forms.

Withdrawal

A member may withdraw from CalMHSA upon written notice no later than December 31 of the fiscal year if it has never become a participant in any program or if it had previously withdrawn from all programs in which it was a participant. A member who withdraws from CalMHSA is not entitled to the return of any payments to the Authority.

CalMHSA is not a legislative agency, nor an approval or advocacy body. CalMHSA is a best practice inter-governmental structure with growing capacity and capability to promote systems and services arising from a shared member commitment to community mental health. CalMHSA supports the values of the California Mental Health Services Act:

- Community collaboration
- Cultural competence
- Client/family-driven mental health system for children, transition age youth, adults, older adults
- Family-driven system of care for children and youth
- Wellness focus, including recovery and resilience
- Integrated mental health system service experiences and interactions

A. REPORTING ENTITY (Continued)

The Mental Health Services Act (Proposition 63), passed in November 2004, provides the first opportunity in many years for the California Department of Mental Health (DMH) to provide increased funding, personnel and other resources to support county mental health programs and monitor progress toward statewide goals for children, transition age youth, adults, older adults and families. This Act imposes a 1% income tax on personal income in excess of \$1 million and provides the counties of California the funds needed to set up contract services for strategies to reduce the following negative outcomes that may result from untreated mental illness:

- Suicide
- Incarcerations
- School failure or dropout
- Unemployment
- Prolonged suffering
- Homelessness
- Removal of children from their homes

As the counties are responsible to use these funds as stated, CalMHSA was established in 2009 to help with the contracting of these services.

B. BASIS OF PRESENTATION

The Statement of Net Position and the Statement of Activities display information about CalMHSA. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities.

The Government-Wide Statement of Net Position presents information on all of CalMHSA's assets and liabilities, with the difference between the two presented as net position. Net Position is reported as one of three categories: invested in capital assets, net of related debt; restricted or unrestricted. Restricted net position is further classified as either net position restricted by enabling legislation or net position that are otherwise restricted.

The Government-Wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of CalMHSA's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are, therefore, clearly identifiable to a particular function. CalMHSA does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of CalMHSA. CalMHSA reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function.

B. BASIS OF PRESENTATION (Continued)

Fund Financial Statements

Fund financial statements report detailed information about CalMHSA. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. CalMHSA has only one operating fund.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Assessments and service charges are recognized as revenues in the year for which they are levied. Expenses are recorded when liabilities are incurred.

Governmental Fund Financial Statement

Governmental fund financial statements (i.e., Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

Non-exchange transactions, in which CalMHSA receives value without directly giving equal value in return, include program funding, assessments and interest income. Under the accrual basis, revenue from program funding and assessments is recognized in the fiscal year for which the program funding and assessments are levied. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

In August 2014, the CalMHSA Board approved a Phase II Funding Plan for purpose of continuing work related to PEI projects through June 30, 2017. Funding for Phase I and Phase II is derived from current county members committing a range of 1% to 7% funding from their local PEI funds for the next three fiscal years, in addition to CalMHSA seeking other funding to include state and federal resources.

In addition to the PEI program, the following strategic programs were also included in CalMHSA's operations during the fiscal year ended June 30, 2017:

- **Wellness program** – This program was funded by the County of Plumas. CalMHSA, acting as the contract administrator for the County of Plumas, has contracted with the Plumas Crisis Intervention Resource Center (PCIRC). PCIRC is tasked to establish Wellness Centers in the communities of Chester, Greenville, Portola and Quincy. These Wellness Center will

compliment and build on the existing Family Resource Center Model and will be developed with an understanding of best practices in the delivery of community mental health services and provide a consumer-driven, community based setting that offers a casual and friendly environment for community members to access mental health and other ancillary services.

- **Suicide Prevention Hotline** – CalMHSA contracted with Kings View Behavioral Health to operate the Central Valley Suicide Prevention Hotline with specialized support and outreach provided to the seven contributing counties of Fresno, Kings, Mariposa, Madera, Merced, Stanislaus and Tulare.
- **Community Response Plan** – CalMHSA contracted with subject matter experts to develop a comprehensive suicide response protocol/toolkit for the rural community of the Tahoe/Truckee area. Furthermore, they will develop a template and guidelines that can be used by other Central Region counties to replicate a suicide response protocol/toolkit that meets any Central Region rural community’s needs.
- **Psychiatric Nurse Workforce Exploration (PNWE)** – CalMHSA will research and explore opportunities to increase the number of psychiatrists and/or psychiatric Nurse Practitioners in the Central Region. After sharing findings with county representatives on the Central Region sub-committee, CalMHSA may contract with subject matter experts to develop a program that meets the needs of the region.
- **Drug Medi-Cal** – CalMHSA provided Drug Medi-Cal Organized Delivery System (DMC-ODS) Waiver trainings to counties that opted into the DMC-ODS Waiver, counties that received approval to form a regional delivery system, and providers selected by counties to provide DMC-ODS Waiver services. CalMHSA will also provide technical assistance to counties and providers as required by the Department of Health Care Services (DHCS) and provide DHCS with monthly progress reports; trainings up to once quarterly and a final report.
- **Orange County** – Orange County, Member of CalMHSA, utilized CalMHSA for procuring consulting services, using various providers, for purposes related to completion of the California Health Facilities Financing Authority application and contract procurement for Crisis Stabilization Units.
- **Education Development Center (EDC)** – EDC’s suicide prevention resource center is funded by the Substance Abuse and Mental Health Services Administration to provide suicide prevention services and resources to a variety of professionals. It is essential that this information be provided in a culturally appropriate manner. CalMHSA will create a brief set of guidelines to help staff in state and community programs develop culturally competent suicide prevention materials for the audiences they serve, drawing on CalMHSA’s experience tailoring resources for California’s diverse communities.
- **Sutter Health Systems** – Sutter Health Valley Area funding would support the Each Mind Matters (EMM) Community Integration and Stigma Reduction Proposal. Grantee will provide community based organization Stigma and Discrimination Reduction (SDR) engagement grants, school SDR engagement grants, will disseminate SDR/EMM materials to Sutter facilities and

partners, and will provide assistance on SDR/EMM message integration and use of materials, for maximum impact.

- **Los Angeles County Technical Assistance** – The Los Angeles County Department of Mental Health (LACDMH) proposes to engage in a multi-county Innovation project to work with one or more technology companies with experience with virtual mental health care platforms. This includes the capacity to implement technology-based mental health solutions accessed through multifactor devices (for example, a computer, smartphone, etc.) to identify and engage individuals, provide automated screening and assessments and improve access to mental health and supportive services focused on prevention, early intervention, family support, social connectedness and decreased use of psychiatric hospitals and emergency services.
- **Public/Private Partnership Development** – CalMHSA entered into an agreement with Lester Consulting Group to render professional counsel to advance the research, strategy, systems, and processes required to launch a \$75 million campaign to advance mental health service throughout California.

Expenditures were recorded under the modified accrual basis of accounting when the related liability was incurred.

D. FUND ACCOUNTING

The accounts of CalMHSA are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. CalMHSA resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. CalMHSA has one governmental fund.

Governmental Fund:

The General Fund is the general operating fund of CalMHSA. It is used to account for all transactions except those required or permitted by law to be accounted for in another fund.

E. CASH AND CASH EQUIVALENTS

CalMHSA considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

F. INCOME TAXES

CalMHSA is a governmental entity and as such its income is exempt from taxation under Section 115(1) of the Internal Revenue Code and Section 23701d of the California and Taxation Code. Accordingly, no provision for federal or state income taxes has been made in the accompanying financial statements.

G. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

H. FUND BALANCE

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*", CalMHSA is required to report fund balances in the following categories, as applicable: Nonspendable, Restricted, Committed, Assigned and/or Unassigned.

Nonspendable Fund Balance reflects assets not in spendable form, either because they will never convert to cash (e.g. prepaid expense) or must remain intact pursuant to legal or contractual requirements.

Restricted Fund Balance reflects amounts that can be spent only for the *specific purposes* stipulated by constitution, external resource providers, or through enabling legislation.

Committed Fund Balance reflects amounts that can be used only for the *specific purposes* determined by a formal action of the government's highest level of decision-making authority: the Board of Directors. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Directors.

Assigned Fund Balance reflects amounts intended to be used by the government for *specific purposes* but do not meet the criteria to be classified as restricted or committed. In accordance with adopted policy, only the Board of Directors is authorized to assign amounts for specific purposes.

Unassigned Fund Balance represents the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

When expenditures are incurred for purposes of which restricted, committed, assigned and unassigned fund balances are available, CalMHSA considers restricted funds to have been spent first, followed by committed, assigned and unassigned, respectively.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Cash in banks	\$ 64,396	\$ 57,875
Money Market Account	1,471	1,471
LAIF	<u>6,243,566</u>	<u>7,654,500</u>
	<u>\$ 6,309,433</u>	<u>\$ 7,713,846</u>

Cash in Bank

As of June 30, 2017 and 2016, CalMHSA's balances per the bank of \$193,756 and \$261,500 respectively, are insured by the Federal Depository Insurance Corporation up to \$250,000. Section 53652 of the California Governmental Code requires financial institutions to secure deposits made by governmental units in excess of insured amounts, by the pledging of governmental securities as collateral. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by governmental units.

Money Market Account

As of June 30, 2017, CalMHSA's had cash in a money fund managed by Morgan Stanley Smith Barney LLC.

Local Agency Investment Fund

California Mental Health Services Authority places certain funds with the State of California's Local Agency Investment Fund (LAIF). The District is a voluntary participant in LAIF, which is regulated by the California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Pooled Money Investment Board. The State Treasurers Office pools these funds with those of other governmental agencies in the state and invests the cash. The fair value of the District's investment in this pool is reported in the accompanying financial statements based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The monies held in the pooled investment funds are not subject to categorization by risk category. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Funds are accessible and transferable to the master account with twenty-four hours' notice. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises and corporations. At June 30, 2017, the interest rate was 0.92%.

LAIF is administered by the State Treasurer and is audited annually by the Pooled Money Investment Board and the State Controller's Office. Copies of this audit may be obtained from the State Treasurer's Office: 915 Capitol Mall, Sacramento, California 95814. The Pooled Money Investment Board has established policies, goals, and objectives to make certain that their goal of safety, liquidity, and yield are not jeopardized. Pooled Money Investment Board has established policies, goals, and objectives to make certain that their goal of safety, liquidity, and yield are not jeopardized.

3. RECEIVABLES

The receivables balance represents funding revenue for programs that was billed prior to year end, but funds were not received until after year end. Due to the nature of the receivables and the likelihood of collection, no provision for uncollectible accounts has been made.

4. CONTRACT SERVICES

CalMHSA does not have any employees and contracts for all necessary services. This includes contracts for the development and implementation of prevention and early intervention (PEI) programs on a statewide and regional basis. Currently, CalMHSA has awarded twenty eight contracts to twenty eight program partners. See www.calmhsa.org for a complete list of the statewide PEI approved contractors.

5. SUBSEQUENT EVENTS/CONTINGENT LIABILITY

Department of Health Care Services Report on the Limited Review – California Mental Health Services Authority – Mental Health America of California as Subcontractor of CalMHSA.

On August 1, 2016, the California Department of Health Care Services (DHCS) issued a report on the limited review concerning the performance of Mental Health America of California (MHAC) under an expense-reimbursement contract with CalMHSA. The final audit report showed an adjustment of \$349,197.

On September 2, 2016, CalMHSA responded by letter, explaining it did not believe the audit report justified the adjustments it proposed. CalMHSA cited the absence of any published standards, application of unreasonable standards, citation to inapplicable Medicaid statutes, and consideration of only a part of the entire contract period. Should there be any attempt by DHCS to collect the adjustment amount from CalMHSA, CalMHSA will contest the claim vigorously. CalMHSA is unable to predict the outcome of this matter, and at this time cannot reasonably estimate the exposure on this matter. In its contract with CalMHSA, MHAC agreed to repay CalMHSA if the amounts paid to MHAC were determined not to be reimbursable by CalMHSA or an appropriate state agency. Further, the contract provided that if there is a conflict between a state audit and a CalMHSA audit, the state audit would take precedence.

On a letter dated October 26, 2016, DHCS made a demand of CalMHSA for \$349,197, which CalMHSA is disputing and taking to mediation.

No liability has been booked in the financial statements, as the outcome cannot be determined.

In November 2017, CalMHSA began the informal hearing process with the DHCS.

CalMHSA's management evaluated its 2017 financial statements for subsequent events through **DATE**, the date the financial statements were available to be issued. Management is not aware of any other subsequent events, other than that noted above, that would require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

	Original Budget	Final Budget	Actual	Budget Variance Favorable (Unfavorable)
REVENUES:				
SHB Funding	\$ 652,252	\$ 652,252	\$ 550,802	\$ (101,450)
Sustainability Funding	5,145,910	5,145,910	5,437,065	291,155
Public/Private Parntership Development	500,000	500,000	448,230	(51,770)
Suicide Prevention	625,000	625,000	636,376	11,376
Non budgeted revenues	-	-	391,784	391,784
Total Revenue	<u>6,923,162</u>	<u>6,923,162</u>	<u>7,464,257</u>	<u>541,095</u>
EXPENDITURES/EXPENSES:				
Program Expenses				
PEI Program Services	7,760,272	7,760,272	6,353,141	1,407,131
SHB Program Funding	624,819	624,819	214,208	410,611
Fiscal Modernization	80,930	80,930	60,320	20,610
Public/Private Parntership Development	189,696	189,696	195,000	(5,304)
Plumas Wellness Center	610,269	610,269	481,312	128,957
Suicide Prevention	735,289	735,289	550,676	184,613
Tech Asst/Capacity Building	197,176	197,176	-	197,176
Non budgeted expenses	-	-	125,189	(125,189)
Total Project Expense	<u>10,198,451</u>	<u>10,198,451</u>	<u>7,979,846</u>	<u>2,218,605</u>
General and Administration	<u>631,574</u>	<u>631,574</u>	<u>718,831</u>	<u>(87,257)</u>
Total Expenditures/Expenses	<u>10,830,025</u>	<u>10,830,025</u>	<u>8,698,677</u>	<u>2,131,348</u>
Change in Fund Balance/Net Position	(3,906,863)	(3,906,863)	(1,234,420)	(1,590,253)
FUND BALANCE/NET POSITION				
Beginning of year	<u>6,490,798</u>	<u>6,490,798</u>	<u>6,490,798</u>	<u>-</u>
End of year	<u>\$ 2,583,935</u>	<u>\$ 2,583,935</u>	<u>\$ 5,256,378</u>	<u>\$ (1,590,253)</u>

	Original Budget	Final Budget	Actual	Budget Variance Favorable (Unfavorable)
REVENUES:				
SHB Funding	\$ 438,642	\$ 438,642	\$ 905,508	\$ 466,866
Sustainability Funding	4,820,775	4,820,775	5,959,792	1,139,017
Wellness Center Funding	-	1,000,000	1,000,000	-
TTACB Contract	120,000	120,000	-	(120,000)
Fiscal Modernization	210,527	210,527	-	(210,527)
Amounts Not Budgeted	-	-	718,044	718,044
Total Revenue	<u>5,589,944</u>	<u>6,589,944</u>	<u>8,583,344</u>	<u>1,993,400</u>
EXPENDITURES/EXPENSES:				
Program Expenses				
PEI Program Services	8,099,737	8,299,737	10,808,637	(2,508,900)
SHB Program Funding	438,422	438,422	9,963	428,459
Fiscal Modernization	-	-	84,371	(84,371)
Amounts Not Budgeted	-	-	904,502	(904,502)
Total Project Expense	<u>8,538,159</u>	<u>8,738,159</u>	<u>11,807,473</u>	<u>(3,069,314)</u>
General and Administration	<u>522,907</u>	<u>522,907</u>	<u>689,831</u>	<u>(166,924)</u>
Total Expenditures/Expenses	<u>9,061,066</u>	<u>9,261,066</u>	<u>12,497,304</u>	<u>(3,236,238)</u>
Change in Fund Balance/Net Position	(3,471,122)	(2,671,122)	(3,913,960)	5,229,638
FUND BALANCE/NET POSITION				
Beginning of year	<u>10,404,759</u>	<u>10,404,759</u>	<u>10,404,759</u>	<u>-</u>
End of year	<u>\$ 6,933,637</u>	<u>\$ 7,733,637</u>	<u>\$ 6,490,799</u>	<u>\$ 5,229,638</u>

OTHER AUDITOR'S REPORT

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

INDEPENDENT AUDITOR'S REPORT

Board of Directors
California Mental Health Services Authority
Rancho Cordova, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund, and the aggregate remaining information of California Mental Health Services Authority, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise California Mental Health Services Authority's basic financial statements, and have issued our report thereon dated **DATE**.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered California Mental Health Services Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the California Mental Health Services Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of California Mental Health Services Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether California Mental Health Services Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. This report is intended solely for the information and use of Management and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

DRAFT

James Marta & Company LLP
Certified Public Accountants
Sacramento, California

DATE

CONSENT CALENDAR
Agenda Item 4.B.5

SUBJECT: Status Update of the Short Doyle 3/Fiscal Modernization (SD3) Project

ACTION FOR CONSIDERATION:

Authorize Board President to approve current and/or additional contracts, for total amount not to exceed \$96,000 to continue Short Doyle 3/Fiscal Modernization (SD3) activities.

BACKGROUND AND STATUS:

The SD3 Project originated in May of 2013. A summary of key project milestones, current funding status and future direction is shown below:

- May 9, 2013, CMHDA All Directors Meeting - members voted to approve the Information Technology Committee's CMHDA/DHCS Short-Doyle 3 Feasibility Study Partnership Proposal. Subsequently, CMHDA and DHCS recommended that CalMHSA provide fiscal and administrative support to implement the feasibility study.
- July 25, 2013, CalMHSA Executive Committee Meeting - the Committee authorized staff to work with CMHDA and DHCS to implement the Short-Doyle 3.
- August 15, 2013, CalMHSA Executive Committee Meeting - members voted to approve an allocation method for determining county share of cost for the DHCS feasibility study for Short-Doyle 3, and approved the appointment of the Wayne Clark (then CalMHSA Board President) to serve on the governance and steering committees created for this project.
 - The allocation methodology outlined in [MHSD Information Notice 13-15](#) was approved as the methodology to be used in determining each county's share of the estimated \$300,000 cost for the feasibility study.
 - After the Board approved the allocation methodology, CalMHSA staff began invoicing counties for their estimated share of the cost. County financial participation was not mandatory and counties could choose to opt out of the feasibility study.
- November 2013, CalMHSA Board Meeting – members were presented with the original scope of the project regarding a new billing system feasibility project. The project was to accomplish the following:
 - Conduct a full assessment of current claiming processes.
 - Identify business needs from state and counties
 - Conduct a feasibility study.
 - Document business and technical requirements.
 - Develop proposed alternative solutions.
 - Write a Feasibility Study Report (FSR) and an Advanced Planning Document (APD).
- October 9, 2014, Board of Director's Meeting - a new SD3 project scope was adopted. The new objective of the SD3 project is to:

- Explore an alternative payment or reimbursement system starting with a pilot study
- Concurrently provide direction and resources for enhancing the current system to:
 - decrease denied Medi-Cal claims
 - improve the timeliness and accuracy of Medi-Cal billing
 - focus will also be given to Medicaid Information Technology Architecture (MITA)
 - long range planning to ensure that the ongoing solution will align with MITA Standards and Conditions and promote a more mature system that meets the needs of all Stakeholders.
- The total cost of implementing the Feasibility Study was estimated to be up to \$300,000. This includes an estimated \$250,000 for the vendor contracts.
- December 11, 2014, CalMHSA Board of Directors meeting - status update was provided and no board action was required.
- February 19, 2015, CBHDA Governing Board meeting - members voted to support the Fiscal and Delivery System Pilot Study and voted in support of CalMHSA serving as the lead organization for the fiscal pilot.
- April 2, 2015, CalMHSA Board of Directors meeting - CalMHSA members approved a sole source contract with Harbage Consulting to execute the pilot study.
- June 2015, CalMHSA execute a consulting agreement with Harbage Consulting to conduct the Phase 1a county pilots for a total funding amount not to exceed \$100,000. The Phase 1a county pilots included county orientation to the pilot goals and objectives, county selection, state and county data identification and analysis, and county pilot implementation and support.
- April 13, 2016 - Harbage Consulting delivered the findings of their Phase 1a CalMHSA Fiscal & Delivery Pilot to the CBHDA Governing Board. Implications and Recommendations provided by Harbage were taken under consideration by the counties, no additional action was taken.
- December 2016 - CalMHSA in coordination with CBHDA determined that a series of educational sessions for counties regarding payment reform would help guide future conversations for fiscal modernization.
- December 2016 - CalMHSA's Executive Director and Board President executed small contracts for a total of \$18,000 with vendor, Desert Vista, to implement two educational sessions for Board members on the following topics:
 - Value Based Purchasing - presented February 2017
 - Whole Person Care pilots - presented June 2017

- December 2017 - CalMHSA seeks to augment the Desert Vista contract by \$7,500 to implement another educational session for CalMHSA Board members regarding utilizing CPE/IGT to draw down additional Federal funds for prevention and to explore methods of structuring future Medicaid waivers so that prevention and other cost reducing service approaches can continue to improve mental health, intervene early, and prevent mental illness.
- Current balance for SD3 is approximately \$96,000 in unspent funds.
- Dec. 2017 - CalMHSA seeks authorization to continue to expend remaining funds of \$96,000 on activities to support of SD3 outcomes adopted in October 2014 and to:
 - Educate members regarding fiscal modernization,
 - Possible utilization of CPE/IGT to draw down additional federal funds for prevention and to explore methods of structuring future Medicaid waivers so that prevention and other cost reducing service approaches can continue to improve mental health, intervene early, and prevent mental illness.

FISCAL IMPACT:

Allocate an additional \$7,500 to the existing contract with Desert Vista from the SD3 Project funds.

RECOMMENDATION:

Authorize Board President to approve current and/or additional contracts, for total amount not to exceed \$96,000 to continue Short Doyle 3/Fiscal Modernization (SD3) activities.

TYPE OF VOTE REQUIRED:

Majority vote.

REFERENCE MATERIAL(S) ATTACHED:

None.

CONSENT CALENDAR
Agenda Item 4.B.6

SUBJECT: State Hospitals Update

ACTION FOR CONSIDERATION:

None, information only.

BACKGROUND AND STATUS:

June 14, 2012 – Staff proceeded with direction provided at the April 23, 2012 Strategic Planning Session, where staff was to work with CMHDA in exploring the JPA acting on behalf of member counties in the negotiations of the annual procurement contract with the Department of State Hospitals (DSH), for state hospital beds.

Memorandum of Understanding (MOU) Amendment:

For the past three fiscal years CalMHSA, in collaboration with counties, has negotiated the terms of the MOU for procurement of state hospital beds, which has resulted in significant benefits to all counties procuring beds. The CalMHSA State Hospital Bed Workgroup was formed to direct and advise CalMHSA staff on this project.

Due to the previous multi-year MOU having been finalized late in its term, DSH has prepared an Amendment to the MOU, extending the term for an additional three (3) years through June 30, 2019. This extension will only affect the term of the contract as all other terms remain in effect. This extension would allow all parties a reasonable amount of time to resolve any outstanding items and modify as deemed appropriate, for future year(s).

Some members are still going through their approval process for the Amendment to the MOU, but expect to have all completed and in place by early spring.

Alternative to State Hospital Beds:

On August 13, 2015 CalMHSA and the CalMHSA State Hospital Bed Workgroup received approval from this board to proceed in working with **Correct Care Solutions (CCS)** on alternatives to State Hospitals.

Additionally, the SH Committee and staff have been developing a whitepaper for the purpose of providing a better understanding of the project in its entirety and have the ability to facilitate discussions with interested counties.

Efforts to date and upcoming visits are as follows:

Site Visit History

- Los Angeles - Lancaster (High Desert Hospital) – February 24, 2016
- Fresno – Fresno Juvenile Detention Center – March –April 2016
- Orange - Norwalk (SCYRCC) – November 15, 2016
- San Bernardino - Chino (Heman G. Stark Facility) – February 28, 2017
- San Luis Obispo - Paso Robles (Estrella Youth Correctional Facility) – March 2, 2017, Second site visit TBD
- San Joaquin - Stockton Northern CA Women’s Facility – March 3, 2017

Next Steps:

- Paso Robles – Second meeting and Site Visit with the City (*January 2018*)
- Los Angeles - Lancaster (High Desert Hospital) – 5th District Supervisor Meeting (*November 27, 2017 @ 3:30pm*)
- Los Angeles/Downey (Los Padrinos Juvenile Hall) – Site Visit (*February – March 2018*)
- Stockton (Northern CA Women’s Facility)- Follow up Site Visit & Webinar for Interested Counties (*February – March 2018*)
- Sonoma (Child Development Center) – Site Visit (*February – March 2018*)

DSH Meetings:

Meetings with the various work groups previously established remain in effect, however agreed to a recess in an effort to allow the groups to do some work and come back with improved concepts and tangible outcomes. Meeting will resume February 2017.

Staffing:

On June 15, 2017, the CalMHSA Board approved a budget that allowed for an additional .75 FTE dedicated to the State Hospitals program, in an effort to meet the boards desire to move swifter and more efficiently. As such, the recruitment process has commenced and hope to have someone in place by early January.

FISCAL IMPACT:

None.

RECOMMENDATION:

None, information only.

TYPE OF VOTE REQUIRED:

None.

Financial Matters
Agenda Item 5.A

SUBJECT: Report from the CalMHSa Finance Committee – Bill Walker

ACTION FOR CONSIDERATION:

Authorize Finance committee to review and recommend to Executive Committee for approval, revisions to the budget as additional programs are rolled out, based on funding, required FTE, etc. (All board members are welcome to participate)

BACKGROUND AND STATUS:

The Finance Committee met by teleconference on December 4, 2017. The following items were included on the agenda:

1. Review of Draft CalMHSa Financial Audit, Fiscal year Ended June 30, 2017
2. Innovation Tech Suite
3. AB 1299
4. Fund Development – Lester Consulting Group
5. State Hospitals
6. Short Doyle
7. DHCs Audit Update

Members discussed the need for additional budget changes due the implementation of the Innovation Tech Suite and additional counties joining at a later date, research and development efforts with AB 1299, and other potential projects on the horizon. As such, the Committee seeks Board authorization for Finance Committee to review and recommend to Executive Committee for approval, revisions to the budget as additional programs are rolled out, based on funding, required FTE, etc. *(All board members are welcome to participate)*

FISCAL IMPACT:

None.

DISCUSSION:

Authorize Finance committee to review and recommend to Executive Committee for approval, revisions to the budget as additional programs are rolled out, based on funding, required FTE, etc. (All board members are welcome to participate)

TYPE OF VOTE REQUIRED:

Majority of the Board of Directors.

REFERENCE MATERIAL(S) ATTACHED:

- Draft Finance Committee Minutes from December 4, 2017



CalMHSAs Finance Committee

TELECONFERENCE MINUTES FROM December 4th, 2017

Finance Committee Members

Present

- Bill Walker, CalMHSAs Treasurer, Kern County
- Dr. William Arroyo, Los Angeles County
- Dennis P. Koch, Madera County

Absent

- Michael Lucid, Sonoma County
- Terence M. Rooney, Colusa County
- Steve Steinberg, Riverside County

CalMHSAs Staff

- Wayne Clark, Executive Director
- John Chaquica, Chief Operations Officer
- Kim Santin, Finance Director
- Ann Collentine, Program Director
- Laura Li, JPA Administrative Manager
- Theresa Ly, Program Manager

Other Names

- Dotti Ysais, LA Office of Education
- Glenn Moriarty, 7 cups
- Becky Fein, Active Minds
- Michael Manduca
- Melen Vue, NAMI CA
- Ian Wallace, Cal Maritime

1. Call to Order

The CalMHSAs Finance Committee teleconference was called to order at 3:03 p.m. on December 4th, 2017 by Finance Committee Chair Bill Walker, Kern County.

2. Roll Call and Public Comment Instructions

JPA Administrative Manager, Laura Li, CalMHSA, called roll and a quorum was established. All participants were asked to introduce themselves. Treasurer, Bill Walker, Kern County, proceeded to review the public comment instructions, noting that items not on the agenda would be reserved for public comment at the end of the meeting.

3. Consent Calendar

Treasurer, Bill Walker asked the committee for approval of the Consent Calendar:

Action: Approval of the consent calendar

Motion: Los Angeles County – Dr. William Arroyo

Second: Madera County – Dennis P. Koch

Approved by unanimous vote.

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

None

4. Review of draft CalMHSA Financial Audit, Fiscal Year Ended June 30, 2017 and 2016

Finance Director, Kim Santin gave an introduction to the JPA audit and introduced Michael Manduca. Michael indicated the audit process was a process of accountability to the Board, members and public. He referred to pages 1-2 as their opinion letter, pages 3-8 being the management highlights with trends CalMHSA is facing. Mr. Manduca shared the status of revenues, investment income, total expenses, general & admin and total fund balance.

New programs brought in new revenues, but wanted to mention the contingent liability due to DHCS issue, with there is no outcome to be determined, however working through the resolution process. No liability has been recorded.

They found no internal control or material weaknesses, and no issues came up.

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

Motion: Madera County – Dennis P. Koch

Second: Los Angeles County – Dr. William Arroyo

Approved by unanimous vote.

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

None

5. Executive Director Finance Report

a. Innovation Tech Suite

Ann Collentine, Deputy Program Director, provided an update on the Innovation Technology—based Mental Health Solutions project. RFSQ submittal deadline has past and now potentially

will identify which vendors they will want to contract with by the Board Meeting on December 14, 2017.

b. AB 1299

The Far Group Subcommittee of the Finance Committee of CBHDA will have a meeting to discuss how deposits are to be made and how CalMHSA will make it work in regard to AB 1299.

c. Fund Development - Lester Consulting group

Staff continues its efforts in seeking funding from new sources, and will convene its first meeting of the Leadership Council on January 18, 2018. A status update to be provided after this first meeting.

d. State Hospitals Program

Efforts continue in seeking alternatives to state hospitals, with interest in a potential site in Paso Robles. A second site visit will take place in early January to confirm our initial assessments and schedule follow up meetings with the City.

e. SD3

In January of 2017 CalMHSA entered into an agreement with Desert Vista (Karen Linkins and John Freeman) for the purpose of delivering Value Based Purchasing educational sessions to our members. We continue to work in this effort and have planned for additional sessions in the future. An update to be presented and the December 14, 2017 Board Meeting.

f. DHCS

CalMHSA will do a final submission of disputed items, working at another four to five months to finalize a report.

Members discussed the impact on the budget given the implementation of the above projects, specifically Innovation Tech Suite with current county participation and additional county participation in the near future, to include research and development efforts with AB 1299. The Committee determined it was necessary to have a streamlined process with the ability to approve budget revisions, as programs are rolled out. The changes would be based on county funding amounts, required FTE, etc. The committee felt it was important to seek CalMHSA Board authorization for the Finance Committee to review and recommend to the Executive Committee for approval, revisions to the budget as additional programs are rolled out.

An Executive Committee meeting is to be scheduled in January 2018.

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

None

6. General 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.

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

None

7. Closing Comments

Treasurer, Bill Walker asked for any closing comments.

8. Adjournment

With no further comments, the meeting ended at 3:50 P.M.

DRAFT

PROGRAM MATTERS
Agenda Item 6.A

SUBJECT: INN Tech Suite Update

ACTION FOR CONSIDERATION:

Discussion and/or action as deemed appropriate.

BACKGROUND AND STATUS:

The Tech Suite Project was approved by the CalMHSA Board at the CalMHSA October Board meeting. CalMHSA will administer the Tech Suite Project on behalf of participating counties. CalMHSA is in the process of finalizing participation agreements with Los Angeles County Department of Mental Health (LACDMH) Kern County Behavioral Health & Recovery Services (KCBHR). These participation agreements will serve as templates for the numerous other counties which expressed an interest in joining this project in the future.

CalMHSA issued a Request for Statement of Qualifications (RFSQ) on November 13, 2017 for the purpose of establishing a pool of qualified vendors for implementation of the Tech Suite Project. Applications in response to the RFSQ were due on November 30, 2017. The RFSQ delineated the following areas of expertise for which each application would be reviewed based on the applicant's preference:

- Peer Chat & Digital Therapeutics
- Virtual Evidence-based Therapy Utilizing an Avatar
- Digital Phenotyping Using Passive Data for Early Detection and Intervention
- Community Engagement and Outreach Engaging Users and Promoting Use of Technology-Based Mental Health Solutions
- Outcomes Evaluation

All vendors that submitted applications in response to the RFSQ will be reviewed by an independent review panel made up of Subject Matter Experts who will score each application in each specific area of expertise. This Review Panel will convene on December 11, 2017 to determine which applicants met qualification standards for each subject area. On December 12, 2017, CalMHSA will notify applicants of the status of their application and the results of the recommendations of the Review Panel. The applicants who qualify in each subject area will be placed into the recommended Vendor Pool for that area and submitted to the CalMHSA Board on December 14, 2017 for final approval. CalMHSA anticipates that multiple vendors may qualify for each subject area and this will allow each county to select which vendor best meets the county needs for the Tech Suite Project. Selection for the Vendor Pool is not a promise of contract. LA and Kern County will select specific vendors for

implementation of the Tech Suite Project and direct CalMHSA on the statement of work and budget for specific contracts to be executed.

In the future, the RFSQ may be reissued if CalMHSA determines that a larger pool of applicants is necessary to meet the needs of the Tech Suite Project. At this time, CalMHSA does not plan to reissue the RFSQ.

Next Steps:

Staff to develop Participation Agreements for each participating county, and negotiate county selected vendor contracts, which will be approved and executed by Executive Director or Chief Operating Officer.

FISCAL IMPACT:

To be determined.

RECOMMENDATION

Discussion and/or action as deemed appropriate.

TYPE OF VOTE REQUIRED:

Majority vote.

REFERENCE MATERIAL(S) ATTACHED:

- Link for Request for Statement of Qualifications:
<http://calmhsa.org/wp-content/uploads/2017/11/RFSQ-11-13-2017-Final.pdf>
- Link for Los Angeles Tech Suite description:
http://file.lacounty.gov/sdsinter/dmh/1026702_inn3proposal7-21-2017.pdf
- Link for Kern County Technology Suite Description:
http://mhsoac.ca.gov/sites/default/files/documents/2017-10/OAC_Kern%20County_%20INN_Plan_Description_Technology-Based_MH_Solutions_10262017.pdf

GENERAL DISCUSSION
Agenda Item 7.A.

SUBJECT: **Report from CalMHSa President – Terence M. Rooney**

ACTION FOR CONSIDERATION:

Discussion and/or action on items below, as deemed appropriate.

BACKGROUND AND STATUS:

CalMHSa President, Terence M. Rooney, will be reporting on the following items.

- General

FISCAL IMPACT:

None.

RECOMMENDATION:

Discussion and/or action on items above, as deemed appropriate.

TYPE OF VOTE REQUIRED:

Majority vote.

REFERENCE MATERIAL(S) ATTACHED:

- None.

GENERAL DISCUSSION
Agenda Item 7.B.

SUBJECT: Report from CalMHSA Executive Director – Wayne Clark

ACTION FOR CONSIDERATION:

Discussion and/or action on items below, as deemed appropriate.

BACKGROUND AND STATUS:

CalMHSA Executive Director, Wayne Clark, will be presenting a State of the Authority and will be reporting on the following items.

- 1299 Update
- Fund Development – Lester Consulting Group
- General

FISCAL IMPACT:

None.

RECOMMENDATION:

Discussion and/or action on items above, as deemed appropriate.

TYPE OF VOTE REQUIRED:

Majority vote.

REFERENCE MATERIAL(S) ATTACHED:

- None.