

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

March 27, 2017

3:00 p.m. – 4:00 p.m.

Dial-in Number: 916-233-1968

Access Code: 3043



CalMHSa

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

Sonoma County

3322 Chanate Road
Santa Rosa, CA 95404

Los Angeles County

550 S. Vermont Ave.
Los Angeles, CA 90020

Colusa County

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

**Kern County Behavioral Health and
Recovery Services**

2001 28th Street
Bakersfield, CA 93301

Madera County

209 E. 7th Street
Madera, CA 93639

Riverside County

4095 County Circle Drive, MS #3790
Riverside, CA 92503

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.

FINANCE COMMITTEE MEETING

1. CALL TO ORDER

2. ROLL CALL AND PUBLIC COMMENT INSTRUCTION

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

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

3. CONSENT CALENDAR.....4

A. Routine Matters

- a. Minutes from the February 27, 2017 Finance Committee Teleconference

Recommendation: Approval of the consent calendar.

4. CASH FLOW MANAGEMENT.....8

- A. Cash Balance as of February 28, 2017
- B. Projected Cash Flow at March 21, 2017

5. GEORGE HILLS COMPANY CONTRACT WITH CALMHSA.....11

Recommendation: Finance Committee to recommend for Board approval of the Fourth Amendment to the George Hills Company contract, which would be effective July 1, 2017 to June 30, 2020.

6. COMPLEXITIES RELATED TO NON PAYING COUNTIES.....38

- A. CalMHSA Funding & Participation Flowchart
- B. Private Fund Development Project Fee Allocation
- C. Annual Estimate Program Funding Commitment Sample

Recommendation: Discuss and approve the proposed solutions for addressing the issue of member counties benefitting from programs, of which they do not financially contribute.

7. CALMHSA FINANCIAL AUDIT ENGAGEMENT.....46

- A. CalMHSA Financial Audit Engagement Letter

Recommendation: Discussion and consideration to continue audit contract with James Marta & Company.

8. EXECUTIVE DIRECTOR FINANCE REPORT.....54

- A. Santa Clara and LA County updates
- B. Oral report on discussions with former NIMH Director
- C. Progress on Fund Development project
- D. Other Financial Matters

Recommendation: None, information only.

9. 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.

10. CLOSING COMMENTS

11. ADJOURNMENT

Agenda Item 3

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 Finance Committee would like to discuss any item listed, it may be pulled from the Consent Calendar.

A. Routine Matters

- a. Minutes from the February 27, 2017 Finance Committee Teleconference

FISCAL IMPACT:

None.

RECOMMENDATION:

Approval of the Consent Calendar.

TYPE OF VOTE REQUIRED:

Majority vote.

REFERENCE MATERIALS ATTACHED:

- Minutes from the February 27, 2017 Finance Committee Teleconference



CalMHSA Finance Committee

TELECONFERENCE MINUTES FROM FEBRUARY 27, 2017

Finance Committee Members

Present

- Bill Walker, CalMHSA Treasurer, Kern County
- Dr. William Arroyo, Los Angeles County
- Terence M. Rooney, Colusa County
- Dennis P. Koch, Madera County

Absent

- Steve Steinberg, Riverside County
- Michael Lucid, Sonoma County

CalMHSA Staff

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

Public

- Becky Fein, Active Minds
- Karen, Humboldt County
- Michael, Humboldt County
- Deana

- Mary Alice Willeford, Mendocino County

1. **Call to Order**

The CalMHSA Finance Committee teleconference was called to order at 3:04 p.m. on February 27, 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 any changes to the following items:

Routine Matters:

- Minutes from the January 23, 2017 Finance Committee Teleconference

Reports/Correspondence

- CalMHSA Revenue and Expenditure Report for Fiscal Year Ended June 30, 2016 – Report to California Department of Health Care Services (CDHCS)

Bill Walker noted an attendance error on the minutes from January 23, 2017.

Action: Approval of the consent calendar, with correction to the meeting minutes of January 23, 2017.

Motion: Madera County – Dennis P. Koch

Second: Los Angeles County – William Arroyo

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

None

4. **Complexities Related to Non-paying Counties**

Treasurer, Bill Walker provided a review of the complexities related to non-paying counties, to include two recommendations as potential solutions. Program Director, Ann Collentine provided a supplemental document which reflected a proposed funding and participation structure. As discussion ensued, committee members expressed the concern for verbiage depicting member fees. As members brainstormed on the proposed structure, they requested staff revise the funding and participation structure to further clarify fees and how applied. Staff was also asked to discern which current programs/projects provide direct vs indirect benefit to the members.

Given the extensive discussion, the committee determined they were not prepared to move this item forward, therefore agreed to continue discussion at the March 27, 2017 meeting date after revisions to the fund and participation document.

Action: Discuss and approve the proposed solutions for addressing the issue of member counties benefitting from certain CalMHSA managed programs, of which they do not financially contribute.

No action taken table for further discussion at a future meeting.

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

5. **George Hills Company Contract**

John Chaquica, Chief Operating Officer, gave an overview of the staff report providing history of the George Hills Company contract and noting to seek a sole source contract.

Action: None, information only.

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

6. **CalMHSA Executive Director Finance Report**

This item was not discussed.

Action: None, information only.

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

7. **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

8. **Closing Comments**

Treasurer, Bill Walker asked for any closing comments.

9. **Adjournment**

With no further comments, the meeting was adjourned at 3:58 p.m.

Agenda Item 4

SUBJECT: CASH FLOW MANAGEMENT AS OF FEBRUARY, 2017

ACTION FOR CONSIDERATION:

For Information and discussion.

BACKGROUND AND STATUS:

Historically, CalMHSA has held adequate balances of cash and investments. Cash balances are decreasing as we payout on the contract obligations. After the February cash disbursements, our cash balance is \$8.5 million. CalMHSA has currently received \$5.1 million for Phase II FY 16-17. Cash Management is now a priority for CalMHSA, therefore becoming a regular item in the agenda.

We received 100% of the Phase II Fiscal Year 2016-2017 LOA funding from counties by February 28, 2017.

FISCAL IMPACT:

None.

RECOMMENDATION:

For Information and discussion.

TYPE OF VOTE REQUIRED:

Majority vote.

REFERENCE MATERIAL ATTACHED:

- Cash Balance as of February 28, 2017
- Projected Cash Flow as of March 21, 2017

CalMHSA
Cash Balance
As of February 28, 2017

Cash Balance, 6/30/2016	7,709,093.70
Cash Received 07/01 to 02/28/2017	6,504,100.88
Cash Payments 07/01 to 02/28/2017	(5,693,984.44)
Cash Balance, 02/28/2017	8,519,210.15

Cash Balance by Institution	
California Bank & Trust	259,267.77
Morgan Stanley Smith Barney	1,471.05
Local Agency Investment Fund	8,258,471.33
Cash Total 2/28/2017	8,519,210.15

California Mental Health Services Authority
 Projected Cash Flow
 2016/2017

As of Mar 21, 2017

	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Totals
Beginning Cash Balance	7,709,094	9,648,712	11,342,521	11,095,582	10,609,287	10,094,743	9,582,663	8,951,200	8,519,210	8,263,966	6,865,640	5,450,912	7,709,094
Cash Receipts:													
Phase II -1- Sustainability 15-16	409,471	8,198		27,028	35,000								479,697
Phase II-2 - Sustainability 16-17	2,131,811	2,324,063	63,115	18,625	138,722	7,591		177,376					4,861,302
Suicide Prevention Hotline 16-17	15,063	30,451	109,235										154,749
State Hospital Beds 15-16	168,941	16,824	73,605						269,000	1,402			529,772
State Hospital Beds 16-17	86,924	44,864	89,728	4,206	5,608					161,138	161,138		553,606
Fiscal Modernization Project										4,427	4,427	4,427	13,281
Other Strategic Programs	18,500		3,000		8,000								29,500
Private Fund Develop - Member Fee					5,671	99,923	5,087	70,160	816	170,694	170,694		523,045
Other (LAIF Interest, etc.)	11,978	12,989		14,264		600	267,481			15,000			322,312
Total Cash Receipts	2,842,687	2,437,389	338,683	64,123	193,001	108,114	272,568	247,536	269,816	352,661	336,259	4,427	7,467,264
Cash Expenses:													
PEI/Phase I Obligations 2014/15	63,769	-	-	-	-	-	-	-	-	297,906	297,906	-	659,581
Phase II Obligations 2015/16 & 2016/17	559,871	344,159	318,925	189,327	514,061	374,679	652,557	454,257	276,640	962,510	962,510	962,510	6,572,005
Suicide Prevention Hotline	45,022	47,383	51,094	49,393	41,243	45,271	37,527	50,135		63,437	63,437	63,437	557,381
Plumas Wellness Center		116,061	43,116	92,305	436	47,286	69,147	6	49,438	20,379	20,379	20,379	478,930
Community Response Plan	3,848	2,250	8,923	90	3,441								18,552
TTACB Contract										49,514	49,514	49,514	148,541
State Hospital Beds	52,414	309	887	51,190	330	5,618	634		523	148,320	148,320	148,320	556,865
Fiscal Modernization Project	922	30,270		1,866	1,134		1,936	486	4,494	25,328	25,328	25,328	117,091
Drug Medi-Cal	1,604	1,554		388	1,359	1		18		8,628	8,628	8,628	30,808
PNWE		257											595
EDC	675	4,378	496		1,395								6,944
Orange County													-
Sutter									6,659	20,584	20,584	20,584	68,411
WET Program Expenditures										37,118	37,118	37,118	111,353
Research & Development													-
Private Fund Develop - Consulting					15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	120,000
Total Administrative Expenses	174,687	196,878	162,182	165,859	129,147	132,338	127,230	159,623	172,306	122,848	122,848	122,848	1,788,795
Total Cash Expenses	903,069	743,580	585,622	550,417	707,546	620,193	904,031	679,526	525,060	1,750,987	1,750,987	1,453,081	11,167,440
Ending Cash Balance	9,648,712	11,342,521	11,095,582	10,609,287	10,094,743	9,582,663	8,951,200	8,519,210	8,263,966	6,865,640	5,450,912	4,002,259	4,008,918

Agenda Item 5

SUBJECT: George Hills Company Contract with CalMHSA

ACTION FOR CONSIDERATION:

Finance Committee to recommend for Board approval of the Fourth Amendment to the George Hills Company contract, which would be effective July 1, 2017 to June 30, 2020.

BACKGROUND AND STATUS:

CalMHSA entered into contract originally on October 28, 2009. That contract was later amended upon the signing of the contract with, then Department of Mental Health on April 15, 2010. Subsequently the Finance Committee was asked to continually review the performance of the contract and the financial terms with George Hills Company, Incorporated (GHC) and report to the board. Subsequently a Task Force of the Finance Committee was formed to review and evaluate the GHC contract for purposes of contract extension, as the current contract is due to expire June 30, 2014.

On June 13, 2013 Board of Directors Meeting, Mr. Gruendl gave an update on the Finance Committee Task Force's review of the George Hills Company contract. That contract ended on June 30, 2014. The Task Force had two recommendations which would be considered for contract extension and action at a later date. The first would be based on CalMHSA administrative/indirect costs staying below 7.5% (they were 4.1% for FY 2013-2014). The second would be based on performance. Since then GHC was asked to present a proposed extension of contract terms.

On December 13, 2013 Board of Directors Meeting, action was taken to approve the amended contract with George Hills Company, with a term of July 1, 2014 through June 30, 2017 and removal of Sustainability Planning, column 5. The members confirmed the contract shall be renegotiated at a later date; once more information was available relative to Sustainability funding.

CalMHSA's Procurement Policy generally requires competitive selection processes but includes exceptions recognizing that noncompetitive contracting may better serve CalMHSA in some cases. The Procurement Policy lists factors that may justify sole source contracting, including the following: "Retaining professional services, such as but not limited to, an attorney, auditor, manager or administrator, to maintain expertise, continuity, consistency and knowledge of CalMHSA." In this case the extension of the GHC contract will allow continuation of programs without disruption. GHC's involvement in CalMHSA's creation and operation of these programs has been instrumental and its knowledge and experience could not easily be replaced. This includes retention of essential staff, relationships with stakeholders and program partners, and connections with key people at relevant state agencies. In inability of a different administrator to provide employment to current staff could result in a significant loss to CalMHSA's institutional

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

Since this time, GHC has continued to function as the Administrator performing all contractual obligations while keeping CalMHSA's indirect costs at or below 7.5%, as previously stated.

RECOMMENDATION:

Finance Committee to recommend for Board approval of the Fourth Amendment to the George Hills Company contract, which would be effective July 1, 2017 to June 30, 2020.

TYPE OF VOTE REQUIRED:

Majority vote of the Board of Directors.

REFERENCE MATERIALS ATTACHED:

- George Hills Company Contract with CalMHSA
- First Amendment to the Agreement for Administrative and Financial Services
- Second Amendment to the Agreement for Administrative and Financial Services
- Third Amendment to the Agreement for Administrative and Financial Services

**AGREEMENT
FOR
ADMINISTRATIVE AND FINANCIAL SERVICES**

This Agreement is made and entered into this First day of July of the year 2009 by and between the California Mental Health Services Authority, hereinafter referred to as "CMHSA," and Optimum Risk Advisors, hereinafter referred to as "ORA", a division of George Hills Company, a California Corporation.

I. SCOPE OF AGREEMENT

CMHSA enters into this Agreement, with ORA for the purpose of having ORA conduct day-to-day management, operational, general administration, and financial affairs of CMHSA.

II. INTENT OF THIS AGREEMENT

It is the intent of both parties to provide all of the necessary services which may be required of CMHSA; however, the scope of this Agreement is to provide for those requirements which are known to the parties at the time this Agreement was prepared. The recital of duties and responsibilities are not necessarily all inclusive, and CMHSA reserves unto itself the authority to authorize any services which are not specifically set forth in this Agreement.

III. AUTHORITY OF THIS AGREEMENT

ORA shall have the authority to conduct the day-to-day operations and services of CMHSA, carrying out the programs authorized by the Board of Directors of CMHSA, hereinafter referred to as the Board.

IV. APPOINTMENT AS AGENT OF CMHSA

ORA shall be appointed as the principal agent for CMHSA. CMHSA shall notify all other agencies, members, and firms doing business with CMHSA of such appointment and that ORA is authorized to conduct CMHSA business and provide general supervision of CMHSA's administration and related financial programs.

V. ORA Responsibilities

The services listed in this section include activities which ORA staff members and subcontractors are authorized to perform for CMHSA. Any activities not specified in this agreement shall need prior approval from CMHSA.

A. General Administration Responsibilities

- 1) Maintain a business office in Sacramento County, in a location of ORA's choosing

- and pay all costs incidental to the occupancy and maintenance of the office;
- 2) Retain sufficient personnel to conduct the business affairs of CMHSA and to perform the services identified in this agreement. Such personnel shall possess the appropriate experience or be trained to do so; personnel retained by ORA shall not be considered employees of CMHSA;
 - 3) Ensure that the members of ORA's staff and subcontractors who are necessary for the efficient conduct of business, as determined by CMHSA, attend Board meetings;
 - 4) With pre-approval from CMHSA, will negotiate fees and other agreements on behalf of CMHSA to minimize costs and obtain the best services. ORA shall present all resolutions, agreements, and contracts for Services to the Board for approval;
 - 5) Prepare all reports, forms, books, and other documents under this Agreement in a form and content that is acceptable to the Board; and
 - 6) To the extent required, provide advice and assistance to members of the Board regarding service related issues within the scope of this agreement.
 - 7) To be truthful and honest with CMHSA in furnishing all information, whether oral or written.

B. Management Responsibilities

- 1) Provide oversight for other consultants and contractors who provide services for CMHSA;
- 2) Maintain CMHSA's Governing Documents;
- 3) At Board direction, maintain and carry out the Member Criteria for admitting proposed new members;
- 4) Keep CMHSA informed of the need for and timing of financial audits, state filings, and other similar forms of technical assistance;
- 5) Assist CMHSA in the selection of professionals who may from time to time be required to provide services to CMHSA;
- 6) Review alternatives for financially strengthening CMHSA and report on the status of such alternatives; Financial Strengthening strategies may include but is not limited to additional Counties becoming members, assisting in securing funds from the state for Statewide Projects, and new services or changes in procedure or service provided that achieves fiscal savings. All monies shall be invested by the executive committee under direction of the treasurer.
- 7) Act as filing officer to ensure compliance with the Conflict of Interest Code;
- 8) Monitor the status of CMHSA's programs and operations as they are intended and

defined in the Program MOU's and provide appropriate status reports pertaining thereto. Status reports shall be provided at intervals to be determined by CMHSA at a later date;

- 9) Develop and maintain record retention policy. Maintain all records and documents as required by such policy.

C. Recording Secretarial Responsibilities

- 1) Prepare and distribute descriptive agendas for meetings of the Board in accordance with CMHSA's Governing Documents;
- 2) Prepare and distribute minutes of all meetings;
- 3) Assist providers and the staff members of providers who respond to or enter into contracts with CMHSA to carry out the terms of this Agreement between ORA and CMHSA;
- 4) Prepare and obtain Board approval for all correspondence necessary to the operation of CMHSA;
- 5) Maintain a general file of all CMHSA documents including, but not limited to, correspondence, reports, insurance policies, notices, agendas, minutes, and CMHSA's Governing Documents;
- 6) Maintain administrative records and update as necessary;
- 7) When required, prepare and file updated California Secretary of State Statement of Facts form for CMHSA and comply with other reporting requirements of the State of California.

D. Financial Responsibilities

- 1) Annually prepare and submit a budget to the Board of CMHSA for approval;
- 2) Annual budget shall be submitted to the Board of CMHSA within 60 days following the conclusion of each fiscal year.
- 3) Maintain detailed records of all income, expenditures, deposits, and withdrawals;
- 4) Administer all accounts payable and accounts receivable. Accounts payable will require at least two signatures, at least one being from the Board. Accounts payable and receivable are subject to audit as specified in item 10 below;
- 5) Maintain necessary banking relationships and perform monthly bank reconciliations of CMHSA accounts;
- 6) Prepare quarterly financial statements in accordance with Generally Accepted Accounting Principles (GAAP), including Budget to Actual comparisons.

- 7) Prepare and submit to CMHSA's Treasurer for approval a Quarterly Treasurer's Report detailing all funds on hand, classified by depository.
- 8) Prepare and timely file updated California State Controllers Annual Report of Financial Transactions form, and comply with other reporting requirements of the State of California;
- 9) Prepare and monitor CMHSA policy on investments, in accordance with the applicable California Code of Regulations, and oversee the management of CMHSA funds;
- 10) Arrange and ensure an annual financial audit is completed by a CPA firm which has been selected by the Board, within 6 months of year end;
- 11) Respond to requests for confirmation of JPA participation made by the financial auditors of CMHSA's members;
- 12) Prepare and timely file Form 1099s with the Revenue Service for all necessary expenditure payments;
- 13) Maintain any additional financial or other records as may be necessary to the operation of CMHSA;
- 14) All financial statements must receive CMHSA Board approval before submission.

E. Support Services Responsibilities

- 1) Provide the support services required to satisfactorily conduct CMHSA's business, including administrative and clerical support. If support services are not conducted by ORA, then with CMHSA approval, ORA will locate and/or hire the necessary support;
- 2) Maintain up-to-date mailing lists of all CMHSA members, Board members, Executive Committee members, subcommittee members, service providers, and other related parties;
- 3) Arrange meeting facilities including accommodations, equipment, and meals, if desired, for Board meetings;
- 4) Maintain subscriptions to the professional periodicals required to carry out the purposes of this Agreement.

VI. CMHSA Responsibilities

A. General Responsibilities

- 1) Appoint a membership committee and develop criteria to disapprove, approve, or approve with conditions, all applications for membership;

- 2) To require members to provide any information required by ORA in carrying out the duties pursuant to this Agreement;

B. Fiscal Responsibilities

- 1) To name ORA and members of ORA's staff, while working for or on behalf of CMHSA, as additional covered parties on CMHSA's General Liability coverage with the same coverage and limits of coverage provided any other officer of CMHSA; or if CMHSA is insured for these risks, at CMHSA's expense, provide this coverage for ORA and ORA's staff for occurrences where ORA is performing services on behalf of or is in the process of providing any service for CMHSA;
- 2) To pay annual CMHSA membership costs to relevant professional associations;
- 3) To pay all valid invoices for services performed by ORA in a timely fashion; and
- 4) To be truthful and honest with ORA in furnishing all relevant information, whether oral or written.

VII. TERM & TERMINATION OF AGREEMENT

A. Term of Agreement

- 1) This Agreement shall be in effective July 1, 2009 through and June 30, 2014, but is subject to earlier termination as outlined below in Paragraph B, Termination.
- 2) This Agreement may be extended for one-year periods upon written agreement of both parties, unless terminated earlier as outlined below in Paragraph B, Termination.

B. Termination

- 1) This Agreement may be terminated prior to the expiration of the term specified in Paragraph A, Term of Agreement, above in any one of the following ways:
 - (a) By mutual agreement of the parties, expressed in writing.
 - (b) By either party, without cause, by providing the other party not less than one ninety days (90) days written notice.
 - (c) By either party at any time, for good cause, by providing the other party not less than sixty days (60) days written notice. The party attempting to terminate this Agreement for good cause shall specifically outline in writing the factual bases for the allegations of good cause as defined herein, and shall give the other party thirty (30) days after receiving the written notice of termination for good cause to cure the alleged cause for termination. The terminating party shall not unreasonably refuse to accept the proposed cure offered by the other party.

- (d) If CMHSA determines that ORA is abusing or defrauding, or has abused or defrauded CMHSA or others in relation to this Agreement, CMHSA may immediately terminate this Agreement upon verbal notice to ORA to be followed by written notice.
 - (e) If, during the term of this Agreement, State funds appropriated for the purpose of this Agreement are reduced or eliminated, CMHSA may immediately terminate this Agreement upon written notice to ORA.
- 2) The parties agree that any party attempting to terminate this Agreement for good cause shall be objectively fair, reasonable, and honest regarding the factual reasons for the termination, and acknowledge that this Agreement contains a covenant of good faith and fair dealing. Each party agrees not to terminate this Agreement for reasons that are trivial, arbitrary, capricious, pretextual, or unrelated to the legitimate business purposes or goals of either party.
 - 3) "Good cause" is defined as:
 - (a) A substantial and material failure to comply with the obligations in this Agreement that causes an adverse and material financial loss to the other party; or
 - (b) One that affords a material legal excuse to terminate this Agreement, including the inability to meet its financial obligations to the other party; or
 - (c) Actions or omissions constituting gross negligence or willful misconduct in the performance of the obligations in this Agreement that causes an adverse and material financial loss to the other party.
 - 4) In the event of termination, ORA shall deliver to CMHSA, or its designated recipient, all files, reports, and documents, and other work performed by ORA under this Agreement, and upon receipt thereof, CMHSA shall pay ORA, pursuant to the terms of this Agreement, for services performed and authorized reimbursable expenses incurred to the date of termination. ORA shall receive a prorated payment for the month of termination based on the date of termination. Said amount will be paid to ORA within no more than thirty (30) calendar days from the date of receipt of the items listed above.
 - 5) ORA will only be reimbursed for costs and uncancelable obligations incurred prior to the date of termination. ORA will not be reimbursed for costs incurred after the date of termination.
 - 6) The CMHSA Board of Directors is empowered to terminate this Agreement on behalf of CMHSA.

C. Suspension of Services

- 1) In the event CMHSA is unable to obtain funding, subject to negotiations, this contract

maybe suspended until funding acquired and/or terminated as outlined above in Paragraph B, Termination.

VIII. COST OF SERVICES

The following fees represent the total compensation for the services described in Article V, ORA Responsibilities. To the extent the services provided to CMHSA under this Agreement should substantially increase because of the demand for additional services, the parties agree to negotiate in good faith the cost of such additional services.

A. Fees

- 1) Formation Fees – time spent in consultation prior to the official start (July 1, 2009) of CMHSA - \$10,000.
- 2) The initial Service fees, beginning July 1, 2009, are FIVE THOUSAND DOLLARS (\$5,000) to be paid per month. Accrual of these fees will begin on the first day CMHSA begins operations with ORA. This amount shall continue until CMHSA secures program revenues.
- 3) Upon the first Program transaction, CMHSA agrees to pay ORA an Annual Contract Price prorated for the number of months remaining in the fiscal year in which the first program transaction occurs. The Fiscal Year contract fees are increased to \$7,500 per month.

B. Fee Adjustments

Due to the fact that the growth and rate of growth is unknown, fees beyond the term of this Agreement shall be subject to mutual agreement based on scope and size of service. Factors determining fee adjustment shall include but not limited to:

- Number of members
- Number of Programs
- Complexity of Programs
- Meeting frequency
- Change in scope of service

- 1) In the event that additional services or extra work not covered by this Agreement are desired by CMHSA, such services will be billed on a time and materials basis at the standard hourly rates ORA charges its other clients or on an agreed upon flat rate basis. Prior to commencing any additional services or extra work, ORA shall prepare a task order describing the scope of work and the costs for the extra services. CMHSA shall have no obligation to pay for extra services by ORA until after the approval of the task order by the President or the Board, as appropriate.
- 2) All valid and approved invoices are due and payable within 30 days of receipt and shall be considered delinquent if not paid in this time period. All delinquent invoices shall accrue interest at the rate of 2% per annum from the due date until payment is

received by ORA.

C. Payment

- 1) During the term of this Agreement, payments shall be made by CMHSA to ORA in arrears on a monthly basis;
- 2) ORA shall bill CMHSA monthly in arrears for services provided by ORA;
- 3) Claims received by CMHSA will be paid by in arrears, on a monthly basis with 30 days of receipt of claim.

IX. PROPERTY RIGHTS

A. Ownership of Records

For the purposes of this section, "public records" shall mean public records as defined by the Public Records Act (Govt. Code Section 6250 et seq.), in its current form and as may be amended during the term of this Agreement.

All public records relating to the operations, administration, activities, and finances of CMHSA and its programs shall at all times be and remain the property of CMHSA. ORA shall make them available to the public pursuant to the Public Records Act. Except as provided below, all computer hardware and equipment and computer software programs shall at all times be and remain the property of ORA.

All records relating to the operations, administration, activities, and finances of CMHSA shall at all times be and remain the property of CMHSA. At the termination of this Agreement, all such materials shall be returned to CMHSA. ORA may, at its sole cost and expense, and with the permission of CMHSA, make and maintain copies of any CMHSA records (but not including confidential or privileged records) for use and retention both during and after the termination of this Agreement. The copies may be made on paper, computer disk, or any other format or media deemed desirable by ORA.

B. Client Intellectual Property

All data, information, documents, books and records, processes, business methods, equipment, software (in source and object code form), data, or other materials supplied or purchased from vendors outside this agreement, by CMHSA relating to, or for use in, the provision of the Services to CMHSA, and all intellectual property rights therein, will be and remain the sole property of CMHSA. ORA shall have no rights or interest in the property described in this section.

C. ORA Intellectual Property

All software and other intellectual property (a) owned by ORA prior to the Effective Date which is used in connection with the Services, or (b) of which ORA acquires

ownership after the Effective Date and which is used in connection with the Services, or (c) developed by or on behalf of ORA for use by CMHSA after the Effective Date will be and remain the exclusive property of ORA, hereafter "ORA and CMHSA will have no rights or interests in the ORA IP except as described in this Section.

D. Copyrights and Trademarks

Any proprietary work including materials that may be copyrighted and names used with respect to products and services provided by ORA in the performance of this Agreement are also the property of ORA, whether formally copyrighted or registered as a servicemark. All rights of use, if any, provided to CMHSA, are subject to ORA's right to terminate use of such materials and names and upon termination are not subject to further use by CMHSA. In the event that such materials have been registered by copyright or trademark, CMHSA as part of this Agreement as to any materials provided to the Board, members affiliates, agents, successors and assigns, agrees to use the appropriate designations; TM, SM, as appropriate and when so advised by ORA.

X. EMPLOYMENT RELATIONSHIP OF ORA

A. Status

- 1) ORA is and at all times shall remain an independent contractor. Neither CMHSA nor any of its agents shall have control over, nor vicarious liability for, the conduct of ORA employees or subcontractors.
- 2) During the term of this Agreement and for twelve (12) months following termination of this Agreement, CMHSA agrees that it will not approach, solicit, attempt to hire, hire, or cause another entity or person to hire any ORA employee without the prior express written permission of ORA.

XI. INDEMNIFICATION

ORA agrees to indemnify, protect, defend, and hold harmless CMHSA and its officers, employees, and agents, from any and all liability claims for damages by reason of any injury to person or persons, including, but not limited to, ORA, its associates or employees, or property damage claims of any kind whatsoever and to whomsoever belonging, including, but not limited to, ORA, its associates, and employees from any cause or causes whatsoever arising out of the negligent performance or failure to perform of ORA, its associates, or employees pursuant to its obligations under the terms of this Agreement; provided, however, that ORA shall not be liable to indemnify CMHSA for any injury to persons or property which may result from the action or non-action of CMHSA, or its directors, officers, agents, or employees (but not including ORA or its employees). ORA shall also hold CMHSA harmless against any liability which the Authority may incur toward ORA's employees, specifically including liability for the payment of workers' compensation benefits.

XII. INSURANCE REQUIREMENTS

ORA shall at all times maintain in full force and effect workers' compensation insurance covering all employees of ORA in an amount required by the laws of the State of California. ORA hereby declares that said employees are the employees of ORA and at no time shall said employees be deemed to be in the employ of CMHSA. ORA shall hold CMHSA harmless against any liability which it may incur toward said employees, specifically including liability for the payment of workers' compensation benefits.

ORA shall maintain Commercial General Liability (CGL), general liability and automobile (vehicles owned or leased by ORA) liability insurance in an amount no less than \$1,000,000 per occurrence.

ORA shall maintain Professional Liability insurance in an amount of not less than \$1,000,000 per occurrence with a deductible of not more than \$25,000.

ORA shall maintain premises property insurance which shall include a provision to provide reimbursement for the expense of reproduction of papers which may be lost due to a fire.

XIII. ASSIGNMENT

CMHSA and ORA each binds itself, its principals, successors, assigns, and legal representatives to the other party to this Agreement and to the principals, successors, assigns, and legal representatives of such other party with respect to all covenants of this Agreement. Neither CMHSA nor ORA shall assign, sublet, or transfer its interest in this Agreement without the written consent of the other.

XIV. ASSURANCES & DISCLAIMERS

A. Conflicts of Interest

ORA hereby certifies, to the best of its knowledge, that it has no conflict of interest in carrying out the provisions of this Agreement. Should any conflict, apparent or real, occur in the future, all parties to this Agreement shall be notified immediately in writing.

B. Disclaimer of Guarantee

ORA has made no promise or guarantee to CMHSA about the outcome of CMHSA's matters, and nothing in this Agreement shall be construed as such a promise or guarantee.

C. Non-Discrimination

ORA agrees that it will not discriminate in any way in the providing of these services on the basis of any characteristic or condition that is illegal or prohibited by law.

D. Further Assurances

Each party agrees to execute any additional documents and to perform any further acts which may be reasonably necessary to effect the purposes of this Agreement.

XV. NOTICES

Except as may otherwise be required by law, any notice to be given shall be in writing and shall be personally delivered, sent by facsimile transmission or sent by first class mail, postage pre-paid and addressed as follows:

CMHSA:

ORA:

John E. Chaquica

Optimum Risk Advisors

3043 Gold Canal Drive, Suite 200
Rancho Cordova CA 95670

Notice delivered personally or successfully sent by facsimile transmission is deemed to be received upon receipt. Notice sent by first-class mail shall be deemed received on the fourth day after the date of mailing. Either party may change the address to which notice is to be given by providing written notice pursuant to this section.

XVI. DISPUTES CONFLICT RESOLUTION

A. Arbitration

If any dispute, controversy, or claim arises out of or relates to the enforcement, or interpretation of this Agreement or any part thereof, the parties agree to submit the dispute, controversy, or claim to binding arbitration. Such arbitration shall be conducted by a single arbitrator. If, within twenty (20) days from the receipt of a request to arbitrate (or such longer period mutually agreed to by the parties), the parties are unable to agree on an arbitrator, then a single arbitrator shall be appointed pursuant to the Commercial Arbitration Rules of the American Arbitration Association. Except as provided in Section V, each party shall bear its own costs and expenses of any arbitration. Each party shall pay one-half of the costs of the arbitrator.

Any arbitration under this section shall be conducted in the County of Sacramento, unless otherwise agreed to by both parties.

The prevailing party in any arbitration, mediation, court trial, jury trial or appeal to enforce or interpret any provision of this Agreement shall be entitled to reasonable attorneys' fees and costs.

B. Waiver

The waiver by either party of a breach by the other party of any provision of this Agreement shall not constitute a continuing waiver or a waiver of any subsequent breach of either the same or a different provision of this Agreement.

C. Severability

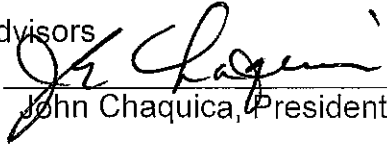
If any section or provision of this Agreement is held to be void, invalid or unenforceable, the remaining sections and provisions will nevertheless continue in full force and effect without being impaired or invalidated in any way.

D. Interpretation, Terms, and Conditions

- 1) This Agreement shall be governed by and interpreted under the laws of the State of California.
- 2) This Agreement integrates all terms and conditions mentioned herein or incidental hereto, and supersedes all oral negotiations and prior writings with respect to the matter hereof. In the event of conflict between terms, conditions or provisions of this Agreement and such document or instrument, the terms and conditions of the Agreement shall prevail.

IN WITNESS HEREOF, the parties hereto have executed this Agreement the day and year first above written.

Optimum Risk Advisors



John Chaquica, President

October 28th 2009
Dated

California Mental Health Services Authority



President

OCTOBER 21, 2009
Dated

California Corporations Code section 313 requires that contracts with a corporation shall be signed by the (1) chairman of the board, the president or any vice-president and (2) the secretary, any assistant secretary, the chief financial officer, or any assistant treasurer; unless the contract is also accompanied by a certified copy of the Board of Directors resolution authorizing the execution of the contract.

Optimum Risk Advisors is the DBA for George Hills Company, Inc,

Federal Employer Identification Number 94-2546177.

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

This FIRST Amendment to the Agreement for Administrative and Financial Services (the "First Amended Agreement") is made and is effective as of the 15th day of April, 2010, by and between the California Mental Health Services Authority, hereinafter referred to as "CalMHSA", and Optimum Risk Advisors, hereinafter referred to as "ORA", a division of George Hills Company, a California Corporation.

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

1. The First Amended Agreement hereby amends several items on the original agreement.
2. Section I, "Scope of Agreement", is hereby amended by adding, thereto, to read as follows:

CalMHSA enters into this Agreement, with ORA for the purpose of having ORA conduct day-to-day management, operational, general and program administration, and financial affairs of CalMHSA.

3. Section V, "ORA Responsibilities", is amended by adding, thereto, a new subsection "F", to read as follows:

F. Mental Health Program Services

- A. Represent CalMHSA in all federal, state or county discussions relating to CalMHSA activities.
- B. Represent CalMHSA on all state level committee and task forces that relate to CalMHSA concerns.
- C. Assist in the development of CalMHSA goals, objectives, priorities, and policy direction for consideration by the CalMHSA Board of Directors and committees.

- D. Work in close collaboration with CalMHSA partners, such as the State Department of Mental Health, the Mental Health Services and Oversight and Accountability Commission (MHSOAC), and the County Mental Health Directors Association to assure alignment as needed.
 - E. Participate in CalMHSA Board and other meetings, leading all discussions for mental health programs.
 - F. Represents CalMHSA in all contract activities related to revenue and expenditure for services.
 - G. Direct and lead all mental health programs.
 - H. Manage and lead all staff in support of mental health programs.
 - I. Conduct consumer meetings to develop and maintain collaborative working relationships with stakeholders.
 - J. Consult with organizations or individuals who may have policy, programmatic or business interest with CalMHSA
4. Section E, "Support Services Responsibilities", is amended by adding, thereto, a new subsection "5", to read as follows:
- E. General Marketing Activities
 - A. Web site maintenance and hosting.
 - B. Design and produce CalMHSA marketing materials; 1). Brochures; 2). Business Cards; and 3). Mailers.
 - C. Identify and evaluate CalMHSA expenses related to conference attendance for presentation of program.
 - D. Preparation and design of materials and presentation for conference materials.
 - E. Assist CalMHSA in the preparation of press releases.
 - F. Design program to brand CalMHSA.
 - G. Develop and execute plan for stakeholder strategic partner communications, such as, community information sharing using monthly e-newsletter, social networking tools, and member only login area on web site.

5. Section VI, "CalMHSA Responsibilities", is amended by adding, thereto, a new subsection "C", to read as follows:

- C. Program Director

- A. CalMHSA, or the acting committee, shall have direct input for the selection of the Program Director. This staff member will be an employee/independent contractor of ORA and will be subject to the annual performance review process.

6. As a result of a dynamic environment as noted in the original contract, and that exists as of the date of this amended contract, the following shall be added, thereto, to create a new Section, "Range of Fees", to read as follows:

- A. A range of fees shall be approved by the Board to acknowledge the dynamic nature and need to react expediently.

- B. The fees payable under this contract shall be limited to five percent (5%) of the annual program dollars received by CalMHSA, subject to provision 6 of this section.

- C. Until such time that CalMHSA program dollars have been approved and have been received, and the JPA has reached annual revenue of \$15,600,000, fees shall be paid upon the following events and by such amounts:

- A. When the contract between CalMHSA and the Department of Mental Health (DMH) is executed, the monthly contract fee will increase to \$25,000 per month.

- B. Upon hiring, and/or contracting with, a Program Director and an additional support person to perform services pursuant to this Agreement, the monthly contract fee will increase to \$45,000 per month.


- C. As program funds become available, and there are twenty (20) members of CalMHSA (or members whose population aggregates to at least 25% of the population of the State of California), additional accounting support and a Program Analyst will be required. When these membership levels are reached, the monthly contract fee will increase to \$65,000 per month.

7. Upon hiring such staff (or when the above triggers take place), the fees shall then be based on a percentage of revenue, when program funding reaches annual projections of \$15,600,000. ORA's compensation will be based on, and limited to, a fixed percentage of total revenue ranges. This amount will be calculated monthly on projected annual revenue as follows:
- A. Fees are calculated monthly on monthly accrued revenue and will be equal to 5%, from \$15,600,000 to \$30,000,000.
 - B. Fees are calculated monthly on accrued revenue, and will be equal to 4.5%, for revenues greater than or equal to, \$30,000,000.
 - C. Fees are calculated monthly on accrued revenue, and will equal 4%, for revenues greater than or equal to, \$40,000,000.
 - D. Fees are capped on accrued revenue. Monthly contract fees will be equal to 3%, for revenues greater than or equal to \$50,000,000, and beyond.

<u>Fee %</u>	<u>Annual Program Revenue</u>		
5%	\$15.6M	-	\$30M
4.5%	\$30M	-	\$40M
4%	\$40M	-	\$50M
3%	>	-	\$50M

IN WITNESS HEREOF, the parties hereto have executed this Agreement the day and year first above written.


Optimum Risk Advisors



John Chaquica, President
4 20 2010

Dated

California Mental Health Services Authority



Allan Rawland, President
4/23/2010

Dated

California Corporations Code section 313 requires that contracts with a corporation shall be signed by the (1) chairman of the board, the president or any vice-president and (2) the secretary, any assistant secretary, the chief financial officer, or any assistant treasurer; unless the contract is also accompanied by a certified copy of the Board of Directors resolution authorizing the execution of the contract.

Optimum Risk Advisors is the DBA for George Hills Company, Inc.

Federal Employer Identification Number 94-2546177.

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

This SECOND Amendment to the Agreement for Administrative and Financial Services (which, as modified, may be referred to as the "Second Amended Agreement") is made and is effective as of the 1st day of July, 2014, by and between the California Mental Health Services Authority, hereinafter referred to as "CalMHSA", and Optimum Risk Advisors, hereinafter referred to as "ORA", a division of George Hills Company, a California Corporation. The provisions of the First Amended Agreement shall continue to apply until July 1, 2014.

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

1. **The Second Amendment hereby amends the First Amended Agreement as stated below.**
2. **Section V, "ORA Responsibilities", is amended as follows:**

Section V, is amended by adding, thereto, a new subsection "G", to read as follows:

G. Other Projects (as requested)

These services and planning programs that are or are anticipated to be supported by a Participation Agreement between CalMHSA and individual participating counties which among other things will specify the separate additional fees to be paid to ORA for administration.

1. Training Technical Assistance and Capacity Building (TTACB) Program.
2. Workforce Education Training (WET) Program
3. Contract for State Hospital Beds as authorized under Welfare and Institutions Code §4330 et seq.
4. Implementation of various authorized mental health services governed under Division 5 of the Welfare and Institutions Code (including but not limited to §5600 et seq., §5800 et seq., §5840 et seq. and §5850 et seq.)
5. Administration of programs, services, or activities including the Drug Medi-Cal Treatment Program (§30029.7) as authorized under

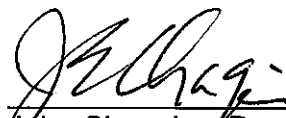
Chapter 6.3 of Division 3 of Title 3 of the Government Code.

6. Implementation of managed mental health care for Medi-Cal beneficiaries and joint county delivery of specialty mental health services, as authorized under Division 9 of the Welfare and Institutions Code (including but not limited to WIC§14712).
 7. Development of statewide program risk pools for mental health plan (MHP) services, as authorized under Division 9 of the Welfare and Institutions Code (including but not limited to WIC §14718).
 8. Any other activity allowed by the Joint Exercise of Powers Agreement and requested by CalMHSA's Board.
3. **Section VII, "Term and Termination of Agreement," Sub Section A, "Term of Agreement," Item 1, is hereby amended by extending the Term of Agreement, to June 30, 2017.**
 4. **Section VIII, "Cost of Services," and Sections 6 and 7 of the First Amended Agreement are replaced as follows:**

For the services described in Section V, ORA Responsibilities,, Subsections A through F, total annual compensation will be as specified in Attachment 1, which shall be paid monthly in arrears. This compensation schedule is based on the assumption that existing PEI Statewide Programs are being concluded within the time specified in Exhibit 1 and is exclusive of services in Subsection G. It is understood that the parties will renegotiate ORA's compensation in the event that PEI Statewide Programs are sustained or extended by addition of funds and/or alteration of existing programs and/or extension of current timelines. Compensation for services under Section V, ORA Responsibilities, Subsection G, shall be separate and as stated in each applicable Participation Agreement.

IN WITNESS HEREOF, the parties hereto have executed this Agreement on December 12, 2013.

Optimum Risk Advisors:



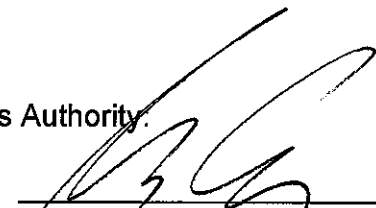
John Chaquica, President

5/12/2014

Dated

Second Amendment to the Agreement
Between ORA and CMHSA
Effective July 1, 2014

California Mental Health Services Authority.



Wayne Clark, President

Dated 5/7/15

Optimum Risk Advisors is the DBA for George Hills Company, Inc.
Federal Employer Identification Number 94-2546177.

ATTACHMENT 1

Current Contract and Extension to Run out Programs								
	Column 1		Column 2		Column 3			
	FY 2014-15		FY 2015-16		FY 2016-17			
Section V, Item(s) A-F	Fees for Administration Services	Contract Amount	\$1,444,444	Contract Amount	\$606,666	Contract Amount	\$224,467	
		Percent	Dollars	Percent	Dollars	Percent	Dollars	
	<i>JPA Administration</i>							
	Total	23%	\$332,222	20%	\$121,333	48%	\$107,744	
	<i>Fiscal</i>							
	Total	24%	\$346,667	47%	\$285,133	52%	\$116,723	
	<i>Program</i>							
	Total	53%	\$765,555	33%	\$200,200			
	<i>Program Specific **</i>							
	Section V, Item(s) G	State Hospital Beds						
		Tech Asst./Capacity Building						
Workforce Education Program								
Total		100%	\$1,444,444	100%	\$606,666	100%	\$224,467	

- Column 1 (fiscal year 2014-15)**—reflects the run out process beginning with current contracts beginning to close throughout the fiscal year. It is projected that many contracts are to receive no-cost extensions with final close-out beginning January 2015.
- Column 2 (fiscal year 2015-16)**—reflects CalMHSA in full run out with only JPA management and Evaluation in operations.
- Column 3 (fiscal year 2016-17)**—reflects the final year of CalMHSA with completion of Evaluation, close-out of books, and final audit.

**** Special Programs** - These services are provided to certain members upon request and such services and fees agreed to in a Participation Agreement.

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

This THIRD Amendment to the Agreement for Administrative and Financial Services (which, as modified, may be referred to as the “Third Amended Agreement”) is made and is effective as of the 1st day of July, 2014, by and between the California Mental Health Services Authority, hereinafter referred to as “CalMHSA”, and Optimum Risk Advisors, hereinafter referred to as “ORA”, a division of George Hills Company, a California Corporation. The provisions of the Second Amended Agreement shall continue to apply until July 1, 2014.

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

- 1. The Third Amendment hereby amends the Second Amended Agreement to reflect an updated Attachment I which includes a new column 4, sustainability funding.**

IN WITNESS HEREOF, the parties hereto have executed this Agreement on June 12, 2014.

Optimum Risk Advisors:

John Chaquica, President

Dated

California Mental Health Services Authority:

Maureen F. Bauman, LCWS, MPA, President

Dated

Optimum Risk Advisors is the DBA for George Hills Company, Inc.
Federal Employer Identification Number 94-2546177.

ATTACHMENT 1

Current Contract and Extension to Run out Programs									
									New Contract Sustainability Plan
Section V, Item(s) A-F		Column 1		Column 2		Column 3		Column 4	
		FY 2014-15		FY 2015-16		FY 2016-17		Per Fiscal Year ¹	
	Fees for Administration Services	Contract Amount	\$1,444,444	Contract Amount	\$606,666	Contract Amount	\$224,467	Contract Amount	\$2,000,000
		Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars
	<i>JPA Administration</i>								
	Total	23%	\$332,222	20%	\$121,333	48%	\$107,744	20%	\$400,000
	<i>Fiscal</i>								
	Total	24%	\$346,667	47%	\$285,133	52%	\$116,723	17%	\$340,000
	<i>Program</i>								
	Total	53%	\$765,555	33%	\$200,200			63%	\$1,260,000

¹ If approved this funding amount replaces funding identified in columns 1-3.

	Program Specific **								
Section V, Item(s) G	State Hospital Beds								
	Tech Asst/Capacity Building								
	Workforce Education Program								
	Total	100%	\$1,444,444	100%	\$606,666	100%	\$224,467	100%	\$2,000,000

- Column 1 (fiscal year 2014-15)**—reflects the run out process beginning with current contracts beginning to close throughout the fiscal year. It is projected that many contracts are to receive no-cost extensions with final close-out beginning January 2015.
- Column 2 (fiscal year 2015-16)**—reflects CalMHSA in full run out with only JPA management and Evaluation in operations.
- Column 3 (fiscal year 2016-17)**—reflects the final year of CalMHSA with completion of Evaluation, close-out of books, and final audit.
- Column 4**—Represents the anticipated staffing needed on an on-going basis with the infusion of new funds. The contract analysis is based on the fact the driver of costs and resources is predicated on the number of programs and contracts. The analysis is based on an infusion of \$20m to \$60m annually. Included in this amount are the costs to manage the JPA as an entity, program management, and planning and development for projects requested by the Board. This is a fixed fee for FY 2014-15, FY 2015-16, and 3% inflation increase for 2016-17 (subject to funding availability). The contract shall also reflect, as addendum, amounts for special programs where less than a majority of the members participate, but does not include any program that is later approved that significantly expands scope of work.

**** Special Programs** - These services are provided to certain members upon request and such services and fees agreed to in a Participation Agreement.

Agenda Item 6

SUBJECT: Complexities Related to Non Paying Counties

ACTION FOR CONSIDERATION:

Discuss and approve a solution for addressing the issue of member counties benefitting from programs, for which they do not financially contribute.

BACKGROUND AND STATUS:

CalMHSA was established for the purpose of the Members to jointly develop fund and administer mental health services and education Programs as determined by the Members. Membership is governed by CalMHSA by-laws, Board Resolutions and JPA agreement. All CalMHSA Board and Committees of the Board meetings are conducted in accordance with the Brown Act. Formation of CalMHSA Programs is governed by Article 12 of the by-laws (<http://calmhsa.org/wp-content/uploads/2011/11/CalMHSA-Bylaws-revision-10-11-12-FINAL1.pdf>) and all programs are formed per Board authorization.

Membership in CalMHSA is via a JPA Agreement which is signed by each county. To date, 55 counties, the City of Berkeley and Tri-City are members of CalMHSA. Programs of CalMHSA are adopted per Board action and funding of programs is determined by Board action but must be in compliance with the JPA Agreement. When CalMHSA was being formed the concept of a JPA, what it meant to be a member, the fiscal responsibilities, and more were simply new and unfamiliar. As such the following CalMHSA specific provision addressing the issue of Programs and fiscal responsibility were developed and approved, the Article 1 of the JPA agreement states the following:

"It shall be the intent of the Authority that all such Programs are fiscally self-contained requiring no additional funding from Members. Accordingly, no Member shall be obligated to fund the Authority or any Program in an amount greater than the amount to which the Member has previously agreed. The indirect costs to operate the Authority shall be allocated to each of the Programs operated by the Authority as directed by its Members."

Since its formation, CalMHSA has established several statewide Programs which are funded entirely by county contributions and for which all counties receive benefits locally, whether paid for or not. In most cases, these benefits are either direct benefits to the county and/or indirect benefits to the county. Direct benefits are county specific and usually based on a level of funding received from the county to support the program. An example of a direct benefit is counties that fund CalMHSA receive hardcopies of the CalMHSA resources and county staff are provided TA on ways to integrate local activities with statewide activities. Indirect benefits are not county specific and derived by the mere existence of the Program without attribution to the level of funding from an individual county. An example is the same CalMHSA resources mentioned above will be available electronically to the county. The relevance of direct and indirect benefits is critical in

addressing the inequity of county funding to support Programs which are statewide. The inequity of counties deriving indirect benefits while not funding a Program at a minimum level has been a chronic issue which challenges CalMHSA existence. Without an equitable resolution to the issue, CalMHSA may cease to exist. CalMHSA, in keeping with the literal interpretation of the above JPA Agreement provision has enabled this inequity, but not recognizing this important issue of direct and indirect. However, in the creation there was never the intent that services would be provided by CalMHSA and received by members for free.

The existence of CalMHSA working on behalf of counties requires a flexible infrastructure which can increase or decrease readily with the adoption of Programs. Within this flexible infrastructure there are core staff and administrative costs which exist regardless of the number of programs. The funding required to meet this core administrative structure have been built into statewide programs. During the course of the implementation of the CalMHSA PEI Statewide Program all CalMHSA core administrative costs were assumed under the PEI Statewide Program umbrella. The addition of the statewide State Hospital Bed Program and the Short-Doyle MediCal Program allowed the core administrative costs to be shared between all of these programs.

Since its formation, every Strategic Planning Session of the CalMHSA Board has considered the inequity of the some counties bearing the burden of core administrative costs and other counties getting a “free ride.” CalMHSA continues to struggle with finding a solution which addresses the need to fund core administrative costs while not placing non-program related burden on members. During the course of the years the following have been considered and rejected:

Dues or Membership fees - Members have indicated these are unfeasible since the county already participates in other statewide organizations which have dues or fees and while CalMHSA is different, the local supervisors would not support a CalMHSA statewide dues or a fee.

One Percent (or other percentage) contribution by all—this has been discussed several times and has received mixed support, however this solution would most easily and fairly address the above issues. Most recently CSAC has opposed this and CalMHSA has backed away from this option.

Indirect Costs within each Program (for all members)—this has been CalMHSA recent suggestion to include and recognize the indirect costs of the program and JPA operations within each Statewide program.

Member Administrative Fee—this would be similar to the dues except it would have levels of membership fees based on participation. This concept has not been explored with much depth due to its similarities to the Dues option.

Interest and Penalties for Non-paying County Members - this option has not been developed but has been discussed.

Statutory changes to the MHS Act which would allow MHS funds to flow directly to CalMHSA from DOF - Collectively, members have opposed any redirection of local funds to a statewide entity and CalMHSA has ceased any activities related to statutory changes.

In the evolution of the discussion from past experiences, the staff recommends the following option which is further described in the attachment. This option will require several changes to CalMHSA by-laws. CalMHSA staff acknowledges that participation in CalMHSA programs is voluntary. CalMHSA recognizes that it is a local decision to fund a CalMHSA statewide program. Acknowledging this, CalMHSA adheres to the belief that members determine how to enjoin all members to fund statewide programs adopted by the CalMHSA board.

Recommendation(s):

- 1) Each statewide CalMHSA Program shall establish a direct annual minimum dollar level of funding for implementation of the program. This annual minimum cost will be assigned to all members.
 - a. Each statewide CalMHSA Program will be implemented only if the majority of CalMHSA members have acknowledged willingness to fund at this minimum level.
 - b. Any program that doesn't reach this minimum level of funding will be subject to severe reduction or closure upon Board action.
 - c. CalMHSA will prepare an individualized Annual County Invoice to be submitted to each county and to be paid within 30 days of county receipt of invoice.
 - d. CalMHSA will prepare an Annual County Impact Statement for each statewide program.
- 2) Set an indirect annual CalMHSA program administration fee which is charged to all members. This option is similar to the 1% across the board which had been previously approved by the CalMHSA Board. However it would be at a lesser amount.

For additional background information please see attached documents.

FISCAL IMPACT:

Increase in member contributions.

RECOMMENDATION:

Discuss and approve a solution for addressing the issue of member counties benefitting from programs, for which they do not financially contribute.

TYPE OF VOTE REQUIRED:

Majority vote of the Finance Committee.

REFERENCE MATERIAL(S) ATTACHED:

- CalMHSA Funding & Participation Flowchart

- Private Fund Development Project Fee Allocation
- Annual Estimate Program Funding Commitment Sample

CalMHSA Funding & Participation Flowchart – March 27, 2017

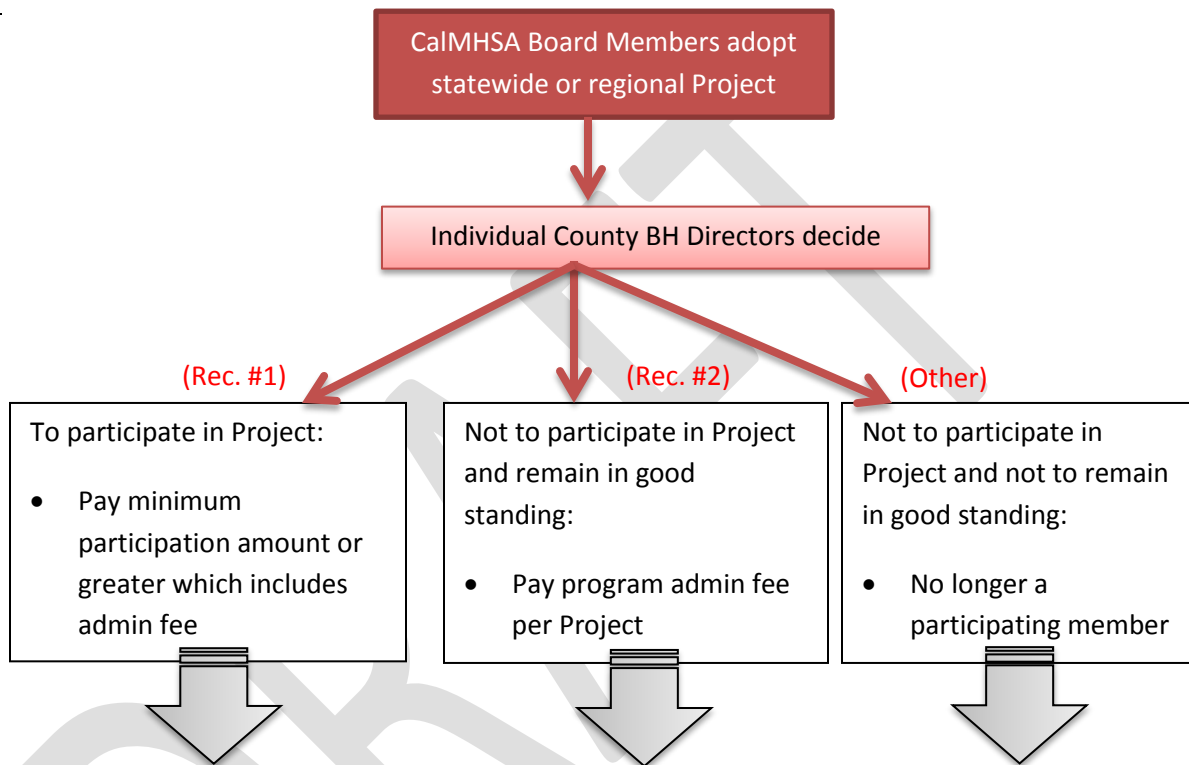
Draft for Discussion Finance Committee

Policy Recommendations to be further developed:

CalMHSA Board shall adopt Projects, and when a Project is adopted will designate the Project as:

1. Statewide with a required minimum contribution per county
2. Voluntary with a set contribution for each county member that elects to participate

Decision Tree:



<i>If Project is Statewide:</i>	Receive direct and indirect benefit	Receive indirect benefit only	Receive no benefit
<i>If Project is Voluntary:</i>	Receive direct and full benefit	Receive no benefit	Receive no benefit

Member Benefit Definitions:

- **Direct Benefit:** firsthand and timely receipt of Project elements/activities/resources and personal and local contact with Project elements/activities and staff
- **Indirect Benefit:** access to all publically available Project elements/resources through individual initiative (searching out)

Member Standing Definitions:

- **Good Standing:** voting member
- **Not in Good Standing:** non-voting member

PRIVATE FUND DEVELOPMENT - FEE ALLOCATION PER COUNTY

UNRESTRICTED FUNDS

County	(Lester Consulting Group) Public/Private Partnership \$500,000
Alameda	\$17,843
Alpine	\$394
Amador *	\$756
City of Berkeley	\$1,514
Butte	\$2,893
Calaveras *	\$826
Colusa	\$667
Contra Costa	\$11,432
Del Norte	\$707
El Dorado	\$2,009
Fresno	\$12,453
Glenn	\$718
Humboldt	\$1,787
Imperial	\$2,469
Inyo	\$478
Kern	\$10,764
Kings	\$2,066
Lake	\$1,006
Lassen	\$705
Los Angeles	\$142,548
Madera	\$2,178
Marin	\$2,833
Mariposa	\$480
Mendocino	\$1,228
Merced	\$3,693
Modoc	\$440
Mono	\$466
Monterey	\$5,866
Napa	\$1,660
Nevada	\$1,328
Orange	\$40,799
Placer	\$3,495
Plumas	\$642
Riverside	\$26,918

PRIVATE FUND DEVELOPMENT - FEE ALLOCATION PER COUNTY

Sacramento	\$16,312
San Benito	\$954
San Bernardino	\$26,676
San Diego	\$40,961
San Francisco	\$9,302
San Joaquin	\$8,562
San Luis Obispo	\$3,378
San Mateo	\$8,190
Santa Barbara	\$5,805
Santa Clara	\$22,744
Santa Cruz	\$3,641
Shasta	\$2,398
Sierra *	\$405
Siskiyou	\$816
Solano	\$4,992
Sonoma	\$5,673
Stanislaus	\$6,506
Sutter/Yuba	\$2,243
Tehama *	\$973
Tri-City	\$2,819
Trinity	\$463
Tulare	\$6,138
Tuolumne	\$906
Ventura	\$10,352
Yolo	\$2,735
Total	\$500,000

*Non-Member County

2017 Annual Estimate Program Funding Commitment

CalMHSA Member: _____ County/City
 Address _____
 City, State, Zip _____

	DESCRIPTION	Direct Program Amount	Indirect	Member/County Approved Amount	Total
1	*Phase III Sustainability Funding FY 17-18	\$0,000.00	\$000.00		\$0,000.00
2	Private Fund Development – Special Member Fee FY 16-17	\$0,000.00	\$000.00	Not Applicable	\$0,000.00
3	State Hospital Bed Program FY 17-18	\$0,000.00	\$000.00		\$0,000.00
4	Central Valley Suicide Prevention Hotlines -CVSPH Regional Program	\$0,000.00	\$000.00		\$0,000.00
5	Technical Assistance and Capacity Building (TTACB)	\$0,000.00	\$000.00		\$0,000.00
6	Workforce Education Training (WET)	\$0,000.00	\$000.00		\$0,000.00

TOTAL COMMITMENT AMOUNT	\$000,000.00
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*NOTE: Please identify the amount approved by your County/City for Phase III Sustainability Funding for FY 17-18, if different from CalMHSA Board Action for target funding of 4% from your local PEI funds.

DETAIL

These documents reflect actions taken by the CalMHSA Board on behalf of its member.

Supporting documents:

1. December 2016 Board Staff Report RE: Phase III Sustainability Funding
2. Private Fund Development – Special Member Fee
 - August 11, 2016 Lester Consulting Feasibility Study for Private Funding Board Report
 - October 13, 2016 Lester Consulting Group – Private Fund Development & Creation of a Leadership Council Board Report
 - Fee Allocation Chart
3. Board Staff Report RE State Hospitals Program
4. CVSPH
5. TTACB
6. WET

Name: _____
 Signature: _____
 Date: _____

Title: _____
 Phone: _____
 Email Address: _____

Agenda Item 7

SUBJECT: CALMHSA FINANCIAL AUDIT ENGAGEMENT

ACTION FOR CONSIDERATION:

None, information only.

BACKGROUND AND STATUS:

In late 2010 at board direction, staff engaged James Marta & Company to carry-out a biennial audit for the two-year period ending June 30, 2011 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.” On February 10, 2012, the CalMHSA Board of Directors, upon the Finance Ad Hoc Committee’s in-depth review and subsequent recommendation, received and filed the CalMHSA Financial Audit for the Fiscal Years Ended June 30, 2011 and 2010. Upon close of the fiscal year ending June 30, 2012, the Board approved James Marta & Company to carry-out audits for the years ending June 30, 2012, 2013 and June 30, 2014.

At the March 2015 Finance Committee meeting, a recommendation was made to extend the agreement for one year, audit of the year ended June 30, 2015, which was approved. The committee decided to continue discussions, at a future date, to determine if there is a desired to continue with James Marta and Company for the audit for the year ended June 30, 2016.

We are now in the position of having to make the determination of continuing with James Marta and Company and/or other option.

FISCAL IMPACT

None.

RECOMMENDATION:

Discussion and consideration to continue audit contract with James Marta & Company.

REFERENCE MATERIALS ATTACHED:

- CalMHSA Financial Audit Engagement Letter



James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

January 9, 2015

Kim Santin, Finance and Administration Director
George Hills Company, Inc.

Re: California Mental Health Services Authority

Dear Board of Directors

We are pleased to confirm our understanding of the services we are to provide for California Mental Health Services Authority for June 30, 2015, 2016 and 2017.

I. SCOPE OF WORK

The following represents our understanding of the services we will provide California Mental Health Services Authority (Authority).

You have requested that we audit the Statement of Net Position of California Mental Health Services Authority as of June 30, 2015, 2016 and 2017, and for the years then ended and the related notes to the financial statements, which collectively comprise Authority's basic financial statements as listed in the table of contents. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audit will be conducted with the objective of our expressing an opinion on each opinion unit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP) and Actual, General Fund – Current Year and Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP) and Actual, General Fund – Prior Year be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by *Governmental Accounting Standards Board*, 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. As part of our engagement, we will apply certain limited procedures to the required supplementary information (RSI) in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist primarily of inquiries of management regarding their methods of measurement and presentation, and comparing the information for consistency with management's responses to our inquiries. We will not express an opinion or provide any form of assurance on the RSI. The following RSI is required by accounting principles generally accepted in the United States of America. This RSI will be subjected to certain limited procedures but will not be audited:

- *Management's Discussion and Analysis*
- *Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP) and Actual, General Fund – Current Year*
- *Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP) and Actual, General Fund – Prior Year*

Supplementary information other than RSI will accompany Authority's basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the basic financial statements and perform certain additional procedures, including comparing and reconciling the supplementary information to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and additional procedures in accordance with auditing standards generally accepted in the United States of America. We intend to provide an opinion on the following supplementary information in relation to the financial statements as a whole.

The Objective of an Audit

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of the accounting records and other procedures we consider necessary to enable us to express such opinions. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

General Audit Procedures

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS) *and in accordance with Government Auditing Standards*, and the State Controller's *Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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 error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements. 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.

Internal Control Audit Procedures

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS *and in accordance with Government Auditing Standards, and the State Controller's Minimum Audit Requirements for California Special Districts.*

In making our risk assessments, we consider 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. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.

Compliance with Laws and Regulations

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of California Mental Health Services Authority's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

Management Responsibilities

Our audit will be conducted on the basis that *management* acknowledge and understand that they have responsibility:

- a. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America
- b. For 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 error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements; and
- c. To provide us with:
 - i. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
 - ii. Additional information that we may request from management for the purpose of the audit; and
 - iii. Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.

- d. For including the auditor's report in any document containing financial statements that indicates that such financial statements have been audited by the entity's auditor;
- e. For identifying and ensuring that the entity complies with the laws and regulations applicable to its activities; and
- f. For adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the current year period(s) under audit are immaterial, both individually and in the aggregate, to the financial statements as a whole.

With regard to the supplementary information referred to above, you acknowledge and understand your responsibility: (a) for the preparation of the supplementary information in accordance with the applicable criteria; (b) to provide us with the appropriate written representations regarding supplementary information; (c) to include our report on the supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information; and (d) to present the supplementary information with the audited financial statements, or if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by you of the supplementary information and our report thereon.¹

As part of our audit process, we will request from *management and, when appropriate, those charged with governance*, written confirmation concerning representations made to us in connection with the audit.

Reporting

We will issue a written report upon completion of our audit of Authority's basic financial statements. Our report will be addressed to the governing body of Authority. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

We also will issue a written 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 Standard upon completion of our audit.

Other

We understand that your employees will prepare all confirmations we request and will locate any documents or invoices selected by us for testing.

If you intend to publish or otherwise reproduce the financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

Provisions of Engagement Administration, Timing and Fees

During the course of the engagement, we may communicate with you or your personnel via fax or e-mail, and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications.

James P. Marta is the engagement partner for the audit services specified in this letter. *His* responsibilities include supervising James Marta & Company's services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the audit report.

Fees

Our fee for the audits will be \$10,710 for 2015, \$10,925 for 2016, and \$11,145 for 2017. We will bill you on a monthly basis for our services and invoices are payable upon presentation. Unpaid fee balances 30 days overdue will bear interest at 18 percent per annum. This fee is based upon the assumption that the closing journal entries will be made and accounting will be finalized and closed before the year end audit fieldwork. Additional time and billing charges will incur if accounting service is provided for closing or reconciling accounting records.

Whenever possible, we will attempt to use your personnel to assist in the preparation of schedules and analyses of accounts. We understand that your employees will prepare all cash or other confirmations we request and will locate any invoices selected by us for testing. This effort could substantially reduce our time requirements and facilitate the timely conclusion of the audit.

Our initial fee estimate assumes we will receive the aforementioned assistance from your personnel and unexpected circumstances will not be encountered. In the event that the GASB, FASB, AICPA, GAO, OMB, or the State of California issues additional standards or audit procedures that require additional work during the audit period, we will discuss these requirements with you before proceeding further. Before starting the additional work, we will prepare an estimate of the time necessary, as well as the fee for performing the additional work. Our fee for addressing the additional requirements will be at our standard hourly rates for each person involved in the additional work.

In the event we are required to respond to discovery requests, subpoenas, and outside inquiries, we will first obtain your permission unless otherwise required to comply under the law. Our time and expense to comply with such requests will be charged at our standard hour rates in addition to the stated contract.

We agree to retain our audit documentation or work papers for a period of at least seven years from the date of our report.

At the conclusion of our audit engagement, we will communicate to the board of directors the following significant findings from the audit:

- Our view about the qualitative aspects of the entity's significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;
- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we requested from management;
- Management's consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

The audit documentation for this engagement is the property of James Marta & Company, LLC and constitutes confidential information. However, we may be requested to make certain audit documentation available pursuant to authority given to any regulator by law or regulation, or to peer reviewers. If requested, access to such audit documentation will be provided under the supervision of James Marta & Company, LLC's personnel. Furthermore, upon request, we may provide copies of selected audit documentation to any regulator. They may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies.

Mediation Provision

Disputes arising under this agreement (including scope, nature, and quality of services to be performed by us, our fees and other terms of the engagement) shall be submitted to mediation. A competent and impartial third party, acceptable to both parties shall be appointed to mediate, and each disputing party shall pay an equal percentage of the mediator's fees and expenses. No suit or arbitration proceedings shall be commenced under this agreement until at least 60 days after the mediator's first meeting with the involved parties. If the dispute requires litigation, the court shall be authorized to impose all defense costs against any non-prevailing party found not to have participated in the mediation process in good faith.

Several technical accounting and auditing words and phrases have been used herein. We presume you to understand their meaning or that you will notify us otherwise so that we can furnish appropriate explanations.

We have attached a copy of our latest external peer review report of our firm for your consideration and files.

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements including our respective responsibilities.¹²

We appreciate the opportunity to be your financial statement auditors and look forward to working with you and your staff.

Respectfully,

Sincerely,



James P. Marta CPA ARM

Principal
James Marta & Company LLP
Certified Public Accountants

RESPONSE:

This letter correctly sets forth our understanding.

Acknowledged and agreed on behalf of

California Mental Health Services Authority

Approved by: _____

Title: _____

Date: _____

Agenda Item 8

SUBJECT: EXECUTIVE DIRECTOR FINANCE REPORT

ACTION FOR CONSIDERATION:

None, Information only.

BACKGROUND AND STATUS:

CalMHSA Executive Director, Wayne Clark, will report on CalMHSA finance topics. The following topics may be discussed:

- Santa Clara and LA County updates
- Oral report on discussions with former NIMH Director
- Progress on Fund Development project
- Other Financial Matters

FISCAL IMPACT:

None.

RECOMMENDATION:

None, Information only.

TYPE OF VOTE REQUIRED:

Majority vote.

REFERENCE MATERIAL(S) ATTACHED:

- None.