California Mental Health Services Authority
FINANCE COMMITTEE TELECONFERENCE
AGENDA

December 10, 2018

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

Kern County
Behavioral Health & Recovery Services
2001 28th Street
Bakersfield, CA 93301

Madera County
Behavioral Health Services
209 E. 7th Street
Madera, CA 93637

San Bernardino County
Behavioral Health Department
303 East Vanderbilt Way
San Bernardino, CA 92415

Los Angeles County
Department of Mental Health
550 S. Vermont Avenue, 12th Floor
Los Angeles, CA 90020

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.

By joining this meeting, you are giving consent to be recorded.

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.

A. Routine Matters
   a. Minutes from March 19, 2018 Finance Committee Teleconference

B. Reports / Correspondence
   a. Cash Balance as of October 31, 2018
   b. CalMHSA 18/19 County Contributions

Recommendation: Approval of the consent calendar.

A. Draft CalMHSA Financial Audit, Fiscal Year ending June 30, 2018 and 2017

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

Recommendation: Staff is bringing this to the attention of the Finance Committee for discussion and direction to staff of next steps.

A. MHSUDS Information Notice No.: 18-033

Recommendation: Discussion only.

A. Cancellation of January 21st Finance Committee Teleconference

B. Other Financial Matters

Recommendation: None, information only.

8. 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.

9. CLOSING COMMENTS

10. 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 March 19, 2018 Finance Committee Teleconference
B. Reports / Correspondence
   a. Cash Balance as of October 31, 2018
   b. CalMHSA 18/19 County Contributions

FISCAL IMPACT:

None.

RECOMMENDATION:

Approval of the Consent Calendar.

TYPE OF VOTE REQUIRED:

Majority vote.

REFERENCE MATERIALS ATTACHED:

- Minutes from the March 19, 2018 Finance Committee Teleconference
- Cash Balance as of October 31, 2018
- CalMHSA 18/19 County Contributions

CalMHSA Finance Committee

TELECONFERENCE MINUTES FROM March 19, 2018

Finance Committee Members

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

Absent
- Terence M. Rooney, Colusa County
- Steve Steinberg, Riverside County

CalMHSA Staff
- Wayne Clark, Executive Director
- John Chaquica, Chief Operations Officer
- Kim Santin, Finance Director
- Ann Collentine, Program Director
- Laura Li, JPA Administrative Manager
- Jeremy Wilson, Program Coordinator

Public
- Becky Fine, Active Minds

1. **Call to Order**
   The CalMHSA Finance Committee teleconference was called to order at 3:11pm on March 19, 2018, by Bill Walker, CalMHSA Treasurer.

2. **Roll Call and Public Comment Instructions**
   JPA Administrative Manager, Laura Li, CalMHSA, called roll and established a quorum. All participants were asked to introduce themselves. Executive Director Wayne Clark proceeded to review the public comment instructions, noting that times not on the agenda would be reserved for public comment at the end of the meeting.

3. **<u>Consent Calendar</u>**
CalMHSA Treasurer Bill Walker asked the committee for any changes to the following items:

<u>Reports / Correspondence</u>

- CalMHSA Summary of Contributions by Program
- Cash Flow Management

No changes were proposed. There was discussion about member participation in PEI and State Hospital Bed funding, and Fund Development.

Action: Approval of the consent calendar.

Motion: Dr. William Arroyo, Los Angeles County
Seconded: Dennis P. Koch, Madera County

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

4. **<u>CalMHSA Financial Statement for the Quarter Ending December 31, 2017</u>**
CalMHSA Finance Director Kim Santin lead the discussion on funds to sustain operations of the JPA, and it was agreed that the Finance Committee will continue discussions and share with members.

Action: Approval of the CalMHSA Financial Statement for the Quarter ending December 31, 2017 for presentation at the next scheduled Board of Directors Meeting.

Motion: Dr. William Arroyo, Los Angeles County
Seconded: Dennis P. Koch, Madera County

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

5. **<u>CalMHSA Financial Audit Engagement</u>**
CalMHSA Finance Director Kim Santin provided an overview work done by James Marta & Company in previous years, and asked members if they wished to continue with James Marta & Company or go out to RFP. She also indicated the costs of contracting with them as approximately $11,000. Members agreed to continue with James Marta & Company as they were satisfied with their work and costs.

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

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

6. **<u>Executive Director Finance Report</u>**
Wayne Clark, Executive Director, provided an update on AB1299, announced that Gilbert & Associates has been engaged to define the 501(c)(3) relationship with the Public-Private Partnership, and lead a discussion about the Business Model/Conceptual Budget.

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**
Executive Director, Wayne Clark, asked for any closing comments.

9. **Adjournment**
With no further comments, the meeting ended at 4:17pm.

CalMHSA
Cash and Investments
As of October 31, 2018

Balance, 6/30/2018	$32,866,563.45
Cash Received 07/01 to 10/31/2018	12,735,900.08
Cash Payments 07/01 to 10/31/2018	(10,297,463.62)
Balance, 10/31/2018	35,304,999.91
Investment activity:	
Unrealized Gain/(Loss) on Investments	43,791.90
Investment Interest Received	114,652.84
Investment Fees	(6,021.20)
Reconciled Cash Balance, 10/31/2018	**$35,457,423.45**

Balance by Institution	Market Value
California Bank & Trust	$848,289.08
Local Agency Investment Fund	7,749,730.18
Morgan Stanley Smith Barney	26,859,404.19
Total 10/31/2018	**$35,457,423.45**

COUNTY	PREVENTION AND EARLY INTERVENTION (PEI)			FUND DEVELOPMENT			STATE HOSPITALS		
	RECOMMENDED FY 18-19 4%	FY 18-19 PAID AMOUNT	FY 17-18 PAID AMOUNT	ALLOCATED FY 18-19	FY 18-19 PAID AMOUNT	FY 17-18 PAID AMOUNT	ALLOCATED FY 18-19	FY 18-19 PAID AMOUNT	FY 17-18 PAID AMOUNT
Alameda County	$ 508,646.40		$ 57,157.00	$ 17,843.00		$ 17,843.00	$ 29,442.00		$ 29,442.00
Alpine County	$ 14,208.00		$ 14,208.00	$ 394.00	$ 394.00	$ 394.00			
*Amador County	$ 25,574.40			$ 756.00	$ 756.00	$ 756.00			
Butte County	$ 83,827.20	$ 35,000.00	$ 35,000.00	$ 2,893.00	$ 2,893.00	$ 2,893.00	$ 1,402.00	$ 1,402.00	$ 1,402.00
*Calaveras County	$ 26,995.20			$ 826.00					
City of Berkeley	$ 42,624.00		$ 40,614.00	$ 1,514.00		$ 1,514.00			
Colusa County	$ 22,732.80	$ 22,732.00	$ 22,732.80	$ 667.00	$ 667.00	$ 667.00			
Contra Costa County	$ 321,100.80	$ 78,000.00	$ 78,000.00	$ 11,432.00	$ 11,432.00	$ 11,432.00	$ 29,442.00	$ 29,442.00	$ 29,442.00
Del Norte County	$ 24,153.60			$ 707.00					
El Dorado County	$ 58,252.80	$ 58,252.00	$ 55,000.00	$ 2,009.00	$ 2,009.00	$ 2,009.00	$ 1,402.00		$ 1,402.00
Fresno County	$ 342,412.80	$ 342,412.80	$ 342,412.80	$ 12,453.00	$ 12,453.00	$ 12,453.00	$ 1,402.00		$ 1,402.00
Glenn County	$ 24,153.60		$ 24,153.60	$ 718.00	$ 718.00	$ 718.00	$ -		
Humboldt County	$ 51,148.80	$ 11,000.00	$ 11,000.00	$ 1,787.00	$ 1,787.00	$ 1,787.00	$ 1,402.00		
Imperial County	$ 71,040.00		$ 48,195.00	$ 2,469.00		$ 2,469.00	$ 4,206.00		$ 4,206.00
Inyo County	$ 17,049.60			$ 478.00					
Kern County	$ 296,947.20		$ 142,333.00	$ 10,764.00	$ 10,764.00	$ 10,764.00	$ 11,216.00		$ 11,216.00
Kings County	$ 59,673.60	$ 59,673.00		$ 2,066.00	$ 2,066.00	$ 2,066.00	$ 1,402.00	$ 1,402.00	
Lake County	$ 29,836.80		$ 28,474.36	$ 1,006.00		$ 1,006.00			
Lassen County	$ 24,153.60	$ 19,763.00	$ 19,346.00	$ 705.00	$ 705.00	$ 705.00			
Los Angeles County	$ 4,056,384.00	$ 1,800,000.00	$ 2,070,000.00	$ 142,548.00			$ 269,000.00		
Madera County	$ 62,515.20	$ 15,200.00	$ 15,200.00	$ 2,178.00			$ 1,402.00	$ 1,402.00	$ 1,402.00
Marin County	$ 80,985.60	$ 80,985.60	$ 80,986.00	$ 2,833.00	$ 2,833.00	$ 2,833.00	$ 5,608.00	$ 5,608.00	$ 5,608.00
Mariposa County	$ 17,049.60			$ 480.00					
Mendocino County	$ 36,940.80	$ 36,940.80	$ 36,940.80	$ 1,228.00					
Merced County	$ 103,718.40			$ 3,693.00	$ 3,693.00	$ 3,693.00			
Modoc County	$ 15,628.80		$ 20,000.00	$ 440.00	$ 440.00	$ 440.00	$ 1,402.00	$ 1,402.00	
Mono County	$ 15,628.80			$ 466.00					
Monterey County	$ 167,654.40	$ 167,654.40	$ 167,654.40	$ 5,866.00	$ 5,866.00	$ 5,866.00	$ 5,608.00	$ 5,608.00	$ 5,608.00
Napa County	$ 48,307.20		$ 48,307.20	$ 1,660.00		$ 1,660.00	$ 4,206.00		$ 4,206.00
Nevada County	$ 41,203.20		$ 10,000.00	$ 1,328.00		$ 1,328.00			
Orange County	$ 1,152,268.80	$ 859,201.00	$ 859,201.00	$ 40,799.00	$ 40,799.00	$ 40,799.00	$ 23,834.00	$ 23,834.00	$ 23,834.00
Placer County	$ 95,193.60	$ 116,505.00	$ 116,505.00	$ 3,495.00	$ 3,495.00	$ 3,495.00	$ 4,206.00	$ 2,804.00	$ 2,804.00
Plumas County	$ 22,732.80	$ 25,000.00	$ 25,000.00	$ 642.00	$ 642.00	$ 642.00			
Riverside County	$ 727,449.60	$ 561,059.00	$ 526,379.00	$ 26,918.00			$ 26,638.00	$ 26,638.00	$ 26,638.00
Sacramento County	$ 450,393.60	$ 350,500.00	$ 350,500.00	$ 16,312.00	$ 16,312.00	$ 16,312.00	$ 25,236.00	$ 25,236.00	$ 25,236.00
San Benito County	$ 29,836.80		$ 29,836.80	$ 954.00	$ 954.00	$ 954.00			
San Bernardino County	$ 744,499.20	$ 548,252.00	$ 561,894.00	$ 26,676.00	$ 26,676.00	$ 26,676.00	$ 16,824.00		
San Diego County	$ 1,165,056.00	$ 400,000.00	$ 400,000.00	$ 40,961.00	$ 40,961.00	$ 40,961.00	$ 22,432.00	$ 22,432.00	$ 22,432.00
San Francisco City And County	$ 261,427.20	$ 50,000.00	$ 50,000.00	$ 9,302.00			$ 57,482.00	$ 57,482.00	
San Joaquin County	$ 237,273.60		$ 174,663.00	$ 8,562.00		$ 8,562.00	$ 4,206.00		$ 4,206.00
San Luis Obispo County	$ 98,035.20	$ 98,035.20	$ 98,035.20	$ 3,378.00	$ 3,378.00	$ 3,378.00	$ 1,402.00	$ 1,402.00	$ 1,402.00
San Mateo County	$ 231,590.40		$ 122,939.00	$ 8,190.00	$ 8,190.00	$ 8,190.00	$ 7,010.00		$ 7,010.00
Santa Barbara County	$ 164,812.80			$ 5,805.00			$ 1,402.00	$ 1,402.00	$ 1,402.00
Santa Clara County	$ 659,251.20	$ 486,580.00		$ 22,744.00	$ 22,744.00	$ 22,744.00	$ 51,874.00	$ 51,874.00	
Santa Cruz County	$ 105,139.20			$ 3,641.00			$ 1,402.00		
Shasta County	$ 69,619.20	$ 14,000.00	$ 13,500.00	$ 2,398.00					
*Sierra County	$ 14,208.00			$ 405.00					
Siskiyou County	$ 25,574.40		$ 25,574.40	$ 816.00					
Solano County	$ 144,921.60	$ 80,000.00	$ 72,460.80	$ 4,992.00	$ 4,992.00	$ 4,992.00	$ 4,206.00	$ 4,206.00	$ 4,206.00
Sonoma County	$ 161,971.20	$ 161,971.20	$ 161,971.20	$ 5,673.00	$ 5,673.00	$ 5,673.00	$ 1,402.00	$ 1,402.00	$ 1,402.00
Stanislaus County	$ 181,862.40			$ 6,506.00	$ 6,506.00	$ 6,506.00	$ 4,206.00	$ 4,206.00	$ 4,206.00
Sutter/Yuba County			$ 69,619.20	$ 2,243.00	$ 2,243.00	$ 2,243.00			
Tehama County	$ 29,836.80	$ 29,837.00		$ 973.00					
Tri-City Mental Health Center	$ 79,564.80	$ 17,834.00	$ 17,188.00	$ 2,819.00	$ 2,819.00	$ 2,819.00			
Trinity County	$ 15,628.80	$ 11,126.16	$ 11,126.16	$ 463.00	$ 463.00	$ 463.00			
Tulare County	$ 171,916.80	$ 41,131.79	$ 44,856.00	$ 6,138.00	$ 6,138.00	$ 6,138.00	$ 4,206.00	$ 4,206.00	
Tuolumne County	$ 28,416.00	$ 18,502.00	$ 16,715.00	$ 906.00	$ 906.00	$ 906.00			
Ventura County	$ 298,368.00	$ 73,674.00	$ 59,501.00	$ 10,352.00			$ 1,402.00	$ 1,402.00	$ 1,402.00
Yolo County	$ 76,723.20		$ 25,000.00	$ 2,735.00			$ 1,402.00	$ 1,402.00	$ 1,402.00
TOTAL	**$ 14,134,118.40**	$ 6,670,821.95	$ 7,200,179.72	**$ 500,005.00**	$ 253,367.00	$ 287,749.00	**$ 629,314.00**	$ 276,194.00	$ 222,918.00

COUNTY	AB1299		CVSPH			Innovation Tech Suite		
	ESTIMATED INITIAL FUNDING AMOUNT	PAID	ALLOCATED FY 18-19	FY 18-19 PAID AMOUNT	FY 17-18 PAID AMOUNT	ALLOCATED FY 18-19	FY 18-19 PAID AMOUNT	FY 17-18 PAID AMOUNT
Alameda County	$1,000,000.00							
Alpine County		$ 3,125.00						
*Amador County								
Butte County	$ -							
*Calaveras County								
City of Berkeley								
Colusa County								
Contra Costa County	$ -							
Del Norte County								
El Dorado County	$ -							
Fresno County	$ 78,560.00	$ 78,560.00	$ 291,294.00	$ 291,294.00	$ 291,294.00			
Glenn County	$ -							
Humboldt County	$ -							
Imperial County								
Inyo County								
Kern County		$ 7,605.89				$ 506,126.00		$ 506,126.00
Kings County			$ 40,703.99	$ 40,703.99	$ 40,703.99			
Lake County								
Lassen County	$ -							
Los Angeles County								$ 17,197,426.00
Madera County	$ -		$ 19,931.47	$ 19,931.47	$ 19,931.47			
Marin County								
Mariposa County	$ -							
Mendocino County								
Merced County			$ 55,612.00	$ 55,612.00	$ 55,612.00			
Modoc County	$ 2,625.00	$ 2,625.00				$ 22,308.00	$ 22,308.00	$ 32,132.00
Mono County								
Monterey County	$ -							
Napa County	$ -							
Nevada County	$ 7,613.00	$ 7,993.44						
Orange County	$ -	$ 18,876.83				$ 6,000,000.00	$ 6,000,000.00	$ 3,000,000.00
Placer County	$ 83,583.90	$ 83,583.90						
Plumas County	$ 2,500.00	$ 2,500.00						
Riverside County	$ -							
Sacramento County								
San Benito County	$ 2,500.00	$ 2,500.00						
San Bernardino County								
San Diego County								
San Francisco City And County		$ 630,000.00						
San Joaquin County								
San Luis Obispo County								
San Mateo County	$ -							
Santa Barbara County	$ 59,689.00	$ 59,689.00						
Santa Clara County	$ 181,286.00	$ 181,286.00						
Santa Cruz County								
Shasta County	$ -							
*Sierra County								
Siskiyou County	$ 2,500.00							
Solano County								
Sonoma County								
Stanislaus County	$ -							
Sutter/Yuba County	$ -							
Tehama County								
Tri-City Mental Health Center	$ -							
Trinity County	$ 2,500.00	$ 2,500.00						
Tulare County			$ 84,325.00	$ 84,325.00	$ 84,325.00			
Tuolumne County	$ -							
Ventura County								
Yolo County	$ -							
TOTAL	$ 1,423,356.90	$ 1,080,845.06	$ 491,866.46	$ 491,866.46	$ 491,866.46	$ 6,528,434.00	$ 6,022,308.00	$ 20,735,684.00

Agenda Item 4

SUBJECT: REVIEW OF DRAFT CALMHSA FINANCIAL AUDIT, FISCAL YEAR ENDED JUNE 30, 2018 AND 2017

ACTION FOR CONSIDERATION:

Finance Committee to discuss and/or recommend to the Board of Directors filing of the draft CalMHSA 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, 2018 and 2017.

FISCAL IMPACT:

None.

RECOMMENDATION:

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

TYPE OF VOTE REQUIRED:

Majority vote.

REFERENCE MATERIALS ATTACHED:

- Draft CalMHSA Financial Audit, Fiscal Year ending June 30, 2018 and 2017

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY
FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

FOR THE FISCAL YEARS ENDED
JUNE 30, 2018 AND 2017

California Mental Health Services Authority

TABLE OF CONTENTS

James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

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, 2018 and 2017, 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

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Services Authority as of June 30, 2018 and 2017, 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, 2018 and Statement of Revenues, Expenditures and Change in Fund Balance – Budget (Non-GAAP) and Actual – General Fund – June 30, 2017 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 November 30, 2018 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.

James Marta + Company LLP

James Marta & Company
Certified Public Accountants
Sacramento, California
November 30, 2018

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, 2018 and 2017. 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, 2018, 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 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.

Sustainability - Phase IIII
Through implementation of the Phase III CalMHSA Statewide PEI Project Plan, CalMHSA and its member counties embarked on the 7th year of PEI Project activities. In December 2016, the CalMHSA Board approved a Phase III Funding Plan for purpose of continuing work related to PEI projects through June 30, 2020. Funding for Phase III is derived from current county members committing 4% of their annual PEI funds to CalMHSA on an annual basis for 3 years.

2017/2018 Program Highlights

Statewide PEI Project

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

- Over 350,000 Lime Green Ribbons disseminated throughout the state, bringing the total to almost 1.5 million ribbons disseminated to date
- Nearly 1 million hardcopy materials were disseminated in counties, schools, and CBOs
- Over $170,000 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 740 videos submissions from over 150 schools across California, engaging over 2,400 students
- Nearly 10 new Each Mind Matters culturally adapted resources were developed
- Over 30 news broadcasts, news articles and radio reports discussed programs implemented

by the Statewide PEI Project

- Over 400 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 MHSA 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 2017 the focus was on forming a fundraising office and procurement of a fundraising database for data collection, generating reports, etc. As part of this process a Leadership Council was also convened of private sector entities that would help shape mutual goals between the public and private sectors. Since January 18, 2018, the first meeting of the Leadership Council, three additional meeting have been hosted to continue to narrow down the focus of this collaborative group in order to further grow the interest and membership of the council from other private sector entities.

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, 2018:

- **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.
- **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.
- **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.
- **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.

- **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).
- **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.
- **LA County Media Campaign –** CalMHSA will continue its statewide efforts in the development of cultural adaptation and customization of marketing assets, and advertisements in an effort to support a Prevention and Early Intervention media campaign focused on Mental Health Month (May 2018). As part of this effort the key focus will be on breaking down barriers to treatment by engaging with stakeholders using new and innovative messaging and a call to action.
- **INN Tech Suite Project -** The Innovation Technology Suite Project (INN Tech Suite Project) is being administered by CalMHSA on behalf of participating member counties. This is a three-year demonstration project which is funded and directed by counties. The primary purpose of this INN Tech Suite Project is to increase access to mental health care and support and to promote early detection of mental health symptoms, or even predict the onset of mental illness. Through the utilization of multiform-factor devices, such as smart phones, tablets and laptops, as a mode of connection and treatment to reach people who are likely to go either unserved or underserved by traditional mental health care, project services will focus on prevention, early intervention, family and social support to decrease the need for psychiatric hospital and emergency care service.
- **CCC Behavioral Health Services (CCBHS) Employee Loan Forgiveness Program –** The Program is designed to pay employee loan debt incurred by current or prospective employees or contractors who fill positions that Contra Costa County has deemed to be a) hard to fill or retain, or b) part of a mental health career path. The participant (County) will identify to CalMHSA the names of current or prospective employees or contractors, their respective employee lending institutions, employee loan amounts owed, and the schedule and amount to be paid to the employee lending institutions. Upon verification by Participant of an employee's continued eligibility for loan forgiveness, CalMHSA will make payments directly to the employee's identified employee lending institution(s), and verify funds receipt by the employee lending institution and the reduced balance owed by the employee.
- **AB1299 | Presumptive Transfer for Foster Youth -** California law allows foster children who are placed outside of their county of original jurisdiction to access specialty mental health services in a timely manner through “presumptive transfer”. This requires the transfer of funds between counties. CalMHSA is working with counties to analyze the use of CalMHSA as a fiscal agent (CalMHSA) to more efficiently and cost-effectively process payments between counties.

  Under the Welfare and Institution Code § 14717.1, responsibility for providing or arranging for specialty mental health services shall promptly transfer from the county of original jurisdiction to the county in which a foster child resides, subject to any exceptions established pursuant to that section. This is known as “presumptive transfer.” Counties have agreed that the county of original jurisdiction (sending county) remains responsible for reimbursing the receiving county for specialty mental health services provided or arranged by the receiving county. Under this program, CalMHSA acts as a fiscal agent for participating counties to make and receive transfer payments of county match dollars. Counties will start participating in this program July 1, 2018.

Financial Highlights for the Fiscal Year Ended June 30, 2018

Revenues	$44.6 million	Revenues increased significantly over the prior year. The $37 million increase is a result of contributions from member counties for new programs, namely LA County Media Campaign ($13.5 million) and Innovation Technology Suite Project ($20.7 million), along with a $2.8 million or 51% increase in contributions for the PEI Program.
Expenses	$18.5 million	Expenses increased $9.8 million over the prior year. The increase is directly related to the new programs, as expenses for PEI remained relatively flat at $6.9 million.
Assets	$34.4 million	Assets increased $27.1 million over the prior year as CalMHSA received contributions from member counties for the new programs mentioned above. Funds were collected in 2017/2018 for some programs in which expenses expect to be incurred over the next few years. See footnote C of the Notes to the Basic Financial Statements.
Liabilities	$ 3.1 million	Liabilities increased $1.1 million over the prior year. The increase is related to the growth of the CalMHSA programs resulting in more 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 2018 and 2017, and a look ahead at economic conditions that may affect CalMHSA in the future.

I. Statement of Net Assets

	2018	2017	2016	Change Over Prior Year
ASSETS				
Current Assets				
Cash and cash equivalents	$ 19,915,121	$ 6,309,433	$ 7,713,846	216%
Investments	12,951,443			
Contractor prepayments			60,000	
Accounts receivable	1,458,946	905,116	1,039,048	61%
Prepaid expenses	41,294	44,583		100%
Total Current Assets	34,366,804	7,259,132	8,812,894	373%
LIABILITIES				
Current Liabilities				
Accounts payable	2,469,908	1,950,661	1,541,735	27%
Deferred revenue	592,481	52,093	780,361	1037%
Total Current Liabilities	3,062,389	2,002,754	2,322,096	53%
RESTRICTED NET POSITION	$ 31,304,415	$ 5,256,378	$ 6,490,798	496%

Total assets increased by $27.1 million from $7.3 million at June 30, 2017 to $34.4 million at June 30, 2018. The increase in assets is a result of contributions from member counties for new programs, namely LA County Media Campaign ($13.5 million) and Innovation Technology Suite Project ($20.7 million), along with a $2.8 million or 51% increase in contributions for the PEI Program. This resulted in a $13.6 million increase in cash and cash equivalents and $13.0 million in investments.

$3.4 million is held in the Local Agency's Investment Fund (LAIF), an external investment pool managed by the State Treasurer's Office, $15.1 million is held by Morgan Stanley Smith Barney (MSSB) in a money fund and $13.0 million in individual securities. The effective yield of CalMHSA's total portfolio at June 30, 2018 was 1.85%.

Total liabilities increased by $1.1 million from $2.0 million at June 30, 2017 to $3.1 million at June 30, 2018. The increase is related to the growth of the CalMHSA programs resulting in more amounts owed to contractors at year-end. Additionally, there was an increase in deferred revenue, CalMHSA's liability to member counties who prepaid 2018/19 and 2019/20 contributions during the fiscal year ended June 30, 2018. The contributions will be recognized as revenue during the applicable fiscal years.

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

	2018	2017	2016	Change Over Prior Year
Revenues	$ 44,566,966	$ 7,464,257	$ 8,583,344	497%
Program Expenses	17,987,492	7,979,846	11,807,473	125%
General and Administration	531,437	718,831	689,831	-26%
Total Expenditures/Expenses	18,518,929	8,698,677	12,497,304	113%
Change in Fund Balance/Net Position	26,048,037	(1,234,420)	(3,913,960)	
Fund Balance/Net Position				
Beginning of Year	5,256,378	6,490,798	10,404,758	
End of Year	$ 31,304,415	$ 5,256,378	$ 6,490,798	496%

For the fiscal year ended, June 30, 2018, total revenue increased by $37.1 million. The increase in revenues was a result of new sources of funding for new programs - LA County Media Campaign ($13.5 million) and Innovation Technology Suite Project ($20.7 million). Additionally, funding for the PEI Program increased $2.8 million over the prior year. As a result of the higher assets, investment income increased $172 thousand over the prior year.

Expenses were $18.5 million in fiscal year 2018. This was a $9.8 million increase compared to 2017. The increase is directly related to the new programs, as expenses for PEI remained relatively flat at $6.9 million. Expenses are expected to increase next year since funds were collected in advance for the Innovation Technology Suite Project, but program development and implementation will occur over the next several years.

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

For the past decade, California has steadily grown a statewide movement toward prevention and early intervention underwritten by MHSA funds. CalMHSA was created by the counties in 2010, to administer MHSA PEI projects on a statewide basis. Through the initial implementation and the second phase (Phase I: 2011-2015 and Phase II: 2015-2017) of the CalMHSA Statewide PEI Project, CalMHSA developed and implemented population-based strategies aligned with Welfare and Institutions Code Section 5840. The PEI Project continues to be endorsed by counties but funding with local MHSA funds continues to be challenging.

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

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

GOVERNMENTAL FUND BALANCE SHEET - STATEMENT OF NET POSITION

JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 19,915,121	$ 6,309,433
Investments	12,951,443	-
Prepaid expenses	41,294	44,583
Receivables	1,458,946	905,116
Total Current Assets	$ 34,366,804	$ 7,259,132
LIABILITIES		
Current Liabilities:		
Accounts payable	$ 2,469,908	$ 1,950,661
Unearned revenue	592,481	52,093
Total Current Liabilities	3,062,389	2,002,754
FUND BALANCE / NET POSITION		
Net Position:		
Operations	315,107	527,123
Obligated Funds Under Contract:		
International SDR Conference	-	(50,113)
Tech Asst/Capacity Building	203,887	203,272
WET Program Funding	149,995	148,470
Fiscal Modernization	86,218	96,309
SHB Program Funding	1,884,819	1,683,903
Wellness Center	141,060	139,626
Suicide Prevention Hotline	122,403	119,715
Community Response Plan	-	1,045
PNWE	-	7,576
Drug Medi-Cal	(6,671)	(6,603)
Orange County	-	2,862
Education Development Center, Inc.	-	2,024
Statewide PEI Project	3,137,671	1,890,674
Sutter Health Systems	44,237	190,477
LA County Tech Assist	-	46,788
Public/Private Partnership Development	57,220	253,230
CCBHS Loan Forgiveness Program	202,509	-
AB1299	(16,180)	-
LA County Media Campaign	5,614,242	-
Innovation/Tech Suite	19,367,898	-
Total Restricted	31,304,415	5,256,378
Total Liabilities and Fund Balance/Net Position	$ 34,366,804	$ 7,259,132

The accompanying notes are an integral part of these financial statements.

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/NET POSITION – STATEMENT OF ACTIVITIES

FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

	Strategic Programs Total	Operations	PEI Funding	2018 Total	2017 Total
REVENUES:					
Suicide Prevention Hotline Funding	$ 664,292	$ -	$ -	$ 664,292	$ 636,376
Community Response Plan Funding	-	-	-	-	5,000
SHB Funding	549,400	-	-	549,400	550,802
Feasibility Study Funding	-	-	-	-	(13,281)
PEI Funding	-	-	8,206,539	8,206,539	5,437,065
Orange County Funding	(3,573)	-	-	(3,573)	-
Donations	-	3,500	-	3,500	-
EDC Funding	-	-	-	-	3,000
Application Fee	-	-	-	-	500
Sutter Health Systems Funding	-	-	-	-	250,000
LA County Tech Assist Funding	-	-	-	-	92,000
Public/Private Partnership Development Funding	384,104	-	-	384,104	448,230
License Royalty Fee	-	760	-	760	600
CCBHS Loan Forgiveness Program	300,000	-	-	300,000	-
Innovation/Tech Suite	20,735,684	-	-	20,735,684	-
LA County Media Campaign	13,500,000	-	-	13,500,000	-
Investment Income	159,500	3,016	63,744	226,260	53,965
Total Revenue	36,289,407	7,276	8,270,283	44,566,966	7,464,257
EXPENDITURES/EXPENSES:					
Program Expenses					
SDR Conference	(70,000)	-	-	(70,000)	-
SHB Program Expense	311,979	-	-	311,979	214,208
Feasibility Study Expense	9,595	-	-	9,595	60,320
Program Expense	-	249,808	6,801,094	7,050,902	6,353,141
Wellness Center Expense	-	-	-	-	481,312
Suicide Prevention Hotline Expense	648,298	-	-	648,298	550,676
Community Response Plan Expense	-	-	-	-	14,704
Drug Medi-Cal Expense	-	-	-	-	1,806
Orange County Expense	(711)	-	-	(711)	-
EDC Expense	-	-	-	-	3,944
Sutter Health Systems Expense	147,145	-	-	147,145	59,523
LA County Tech Assist	46,788	-	-	46,788	45,212
Public/Private Partnership Development Expenses	533,277	-	-	533,277	195,000
CCBHS Loan Forgiveness Program	97,000	-	-	97,000	-
Innovation/Tech Suite	1,395,917	-	-	1,395,917	-
LA County Media Campaign	7,809,792	-	-	7,809,792	-
AB1299	7,510	-	-	7,510	-
Total Program Expense	10,936,590	249,808	6,801,094	17,987,492	7,979,846
General and Administration	97,571	340,741	93,125	531,437	718,831
Total Expenditures/Expenses	11,034,161	590,549	6,894,219	18,518,929	8,698,677
Change in Fund Balance/Net Position	25,255,246	(583,273)	1,376,064	26,048,037	(1,234,420)
Operating Transfer	(242,190)	371,265	(129,075)	-	-
FUND BALANCE/NET POSITION					
Beginning of year	2,838,581	527,115	1,890,682	5,256,378	6,490,798
End of year	$ 27,851,637	$ 315,107	$ 3,137,671	$ 31,304,415	$ 5,256,378

The accompanying notes are an integral part of these financial statements.

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, 2018, 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 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.

Through implementation of the Phase III CalMHSA Statewide PEI Project Plan, CalMHSA and its member counties embarked on the 7th year of PEI Project activities. Funding for Phase III (July 1, 2017 through June 30, 2020) is derived from current county members committing 4% of their annual PEI funds to CalMHSA on an annual basis for 3 years.

In addition to the PEI program, the following strategic programs were also included in CalMHSA's operations during the fiscal year ended June 30, 2018:

- **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. This program was closed out in 2018.

- **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. This program was closed out in 2018.

- **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. This program was closed out in 2018.

- **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 multiform-factor 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.

- **Innovation Tech Suite** – The Innovation Technology Suite Project (INN Tech Suite Project) is being administered by CalMHSA on behalf of participating member counties. This is a three-year demonstration project which is funded and directed by counties. The primary purpose of this INN Tech Suite Project is to increase access to mental health care and support and to promote early detection of mental health symptoms, or even predict the onset of mental illness. Through the utilization of multiform-factor devices, such as smart phones, tablets and laptops, as a mode of connection and treatment to reach people who are likely to go either unserved or underserved by traditional mental health care, project services will focus on prevention, early intervention, family and social support to decrease the need for psychiatric hospital and emergency care service.

- **LA County Media Campaign –** CalMHSA will continue its statewide efforts in the development of cultural adaptation and customization of marketing assets, and advertisements in an effort to support a Prevention and Early Intervention media campaign focused on Mental Health Month (May 2018). As part of this effort the key focus will be on breaking down barriers to treatment by engaging with stakeholders using new and innovative messaging and a call to action.

- **CCBHS Loan Forgiveness Program** – The Program is designed to pay employee loan debt incurred by current or prospective employees or contractors who fill positions that Contra Costa County has deemed to be a) hard to fill or retain, or b) part of a mental health career path. The participant (County) will identify to CalMHSA the names of current or prospective employees or contractors, their respective employee lending institutions, employee loan amounts owed, and the schedule and amount to be paid to the employee lending institutions. Upon verification by Participant of an employee's continued eligibility for loan forgiveness, CalMHSA will make payments directly to the employee's identified employee lending institution(s), and verify funds receipt by the employee lending institution and the reduced balance owed by the employee.

- **AB1299** – California law allows foster children who are placed outside of their county of original jurisdiction to access specialty mental health services in a timely manner through "presumptive transfer". This requires the transfer of funds between counties. CalMHSA is working with counties to analyze the use of CalMHSA as a fiscal agent (CalMHSA) to more efficiently and cost-effectively process payments between counties.

  Under the Welfare and Institution Code § 14717.1, responsibility for providing or arranging for specialty mental health services shall promptly transfer from the county of original jurisdiction to the county in which a foster child resides, subject to any exceptions established pursuant to that section. This is known as "presumptive transfer." Counties have agreed that the county of original jurisdiction (sending county) remains responsible for reimbursing the receiving county for specialty mental health services provided or arranged by the receiving county. Under this program, CalMHSA acts as a fiscal agent for participating counties to make and receive transfer payments of county match dollars. Counties will begin participating in this program July 1, 2018.

  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 INVESTMENTS

A. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2018 and 2017 consisted of the following:

	2018	2017
Cash in banks	$ 1,449,989	$ 64,396
Money Market Account	15,113,363	1,471
LAIF	3,351,769	6,243,566
	$ 19,915,121	$ 6,309,433

Cash in Bank

As of June 30, 2018 and 2017, CalMHSA's balances per the bank of $1,773,721 and $193,756 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, 2018, 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, 2018, the interest rate was 1.7%.

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.

B. INVESTEMENTS

Investments are reported at fair value.

Changes in fair value that occur during a fiscal year and any gains or losses realized upon the liquidation, maturity, or sale of investments are recognized as net increase (decrease) in investment fair values reported for that fiscal year. Investment income consists primarily of interest earnings on investments held by CalMHSA.

Disclosures Relating to Interest Risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that CalMHSA manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of CalMHSA's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity. For purposes of the schedule shown below, any callable securities are assumed to be held to maturity.

Maturity Distribution of Investments

		Investment Maturities	
Investment Type	Fair Value	< 1yr	1-3 yrs
US Treasury	$ 8,222,735	$ 8,222,735	$ -
Federal Agencies	$ 2,730,918	$ 2,730,918	$ -
Corporate Fixed Income	1,997,790	1,997,790	-
Total	$ 12,951,443	$ 12,951,443	$ -

Disclosures Relating to Credit Risk – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below are Standard & Poor's ratings of the securities held in CalMHSA's portfolio by investment type, at the end of the current fiscal year.

Investment Type	Total	AA+	AAA	AA-	AA
US Treasury	$ 8,222,735	$ -	$ 8,222,735	$ -	$ -
Federal Agencies	2,730,918	2,730,919	-	-	-
Corporate Notes	1,997,790	499,735	-	998,965	499,090
Total	$ 12,951,443	$ 3,230,654	$ -	$ 998,965	$ 499,090

Concentration of Credit Risk - The investment policy of CalMHSA contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer that represent 5% or more of total Authority investments are as follows:

Concentration of Credit Risk

Investment	Investment Type	Fair Value	% of Portfolio
US Treasury	Federal Agencies	$ 8,222,735	63%
FNMA	Federal Agencies	$ 997,270	8%
FHLB	Federal Agencies	$ 1,285,372	10%

Custodial Credit Risk - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The California Government Code and CalMHSA's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure CalMHSA's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

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.

5. SUBSEQUENT EVENTS/CONTIGENT 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.

In November 2017, CalMHSA began the informal hearing process with the DHCS. On August 13, 2018, DHCS issued a Report of Findings reducing the disallowances by $9,033

A liability has been booked in the financial statements for $350,000 as of June 30, 2018 for legal defense and a small estimate related to the disallowance.

CalMHSA's management evaluated its 2018 financial statements for subsequent events through November 30, 2018, 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

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL – GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Budget Variance Favorable (Unfavorable)
REVENUES:				
SHB Funding	$ 627,912	$ 627,912	$ 549,400	$ (78,512)
Sustainability Funding	5,160,037	7,730,037	8,206,539	476,502
Public/Private Parntership Development	500,005	500,005	384,104	(115,901)
Suicide Prevention	636,375	543,834	664,292	120,458
Loan Forgiveness Program	-	300,000	300,000	-
Non budgeted revenues	-	-	34,462,631	34,462,631
Total Revenue	6,924,329	9,701,788	44,566,966	34,865,178
EXPENDITURES/EXPENSES:				
Program Expenses	6,587,764	9,197,596	17,987,492	8,789,896
General and Administration	681,834	736,582	531,437	205,145
Total Expenditures/Expenses	7,269,598	9,934,178	18,518,929	8,995,041
Change in Fund Balance/Net Position	(345,269)	(232,390)	26,048,037	25,870,137
FUND BALANCE/NET POSITION				
Beginning of year	5,256,378	5,256,378	5,256,378	-
End of year	$ 4,911,109	$ 5,023,988	$ 31,304,415	$ 25,870,137

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL – GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2017

	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	6,923,162	6,923,162	7,464,257	541,095
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	10,198,451	10,198,451	7,979,846	2,218,605
General and Administration	631,574	631,574	718,831	(87,257)
Total Expenditures/Expenses	10,830,025	10,830,025	8,698,677	2,131,348
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	6,490,798	6,490,798	6,490,798	-
End of year	$ 2,583,935	$ 2,583,935	$ 5,256,378	$ (1,590,253)

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, 2018 and 2017, 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 November 30, 2018.

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.

James Marta + Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
November 30, 2018

James Marta & Company, LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

California Mental Health Services Authority June 30, 2018 Audit

Presented by

Michael Manduca

Audit

- The audit process is a process of accountability to the Board, Members and the Public
- Page 1-2; our draft opinion is unmodified. Clean audit opinion.

Management Discussion and Analysis

- Pages 3-10
- It addresses the financial highlights, important trends and the issues CalMHSA is facing.
- This is an excellent resource for you to assess how CalMHSA is doing.

Financial Results

- Revenues increased $37mil
  - PEI funding increased – Start of Phase III – Increase $2.8M
  - $20.7M new revenue for Innovation Tech. Suite
  - $13.5M new revenue for Media Campaign
- Investment income of $226K : Increase of 172K from PY
  - Increase in cash and investments: $26.5K
- Total Project Expenses increased by 125% from $8mil to $18mil
- Total General and Admin expenses decreased 26% from $719K to $531K
- Total assets increased $27mil or 373% mainly due to increase in cash and equivalents
- Total Fund Balance/Net Position increased by $31mil to $31.3M

Condensed Statement of Net Assets (pg 8)

	2018	2017	2016	Change Over Prior Year
ASSETS				
Current Assets				
Cash and cash equivalents	$ 19,915,121	$ 6,309,433	$ 7,713,846	216%
Investments	12,951,443			
Contractor prepayments			60,000	
Accounts receivable	1,458,946	905,116	1,039,048	61%
Prepaid expenses	41,294	44,583		100%
Total Current Assets	34,366,804	7,259,132	8,812,894	373%
LIABILITIES				
Current Liabilities				
Accounts payable	2,469,908	1,950,661	1,541,735	27%
Deferred revenue	592,481	52,093	780,361	1037%
Total Current Liabilities	3,062,389	2,002,754	2,322,096	53%
RESTRICTED NET POSITION	$ 31,304,415	$ 5,256,378	$ 6,490,798	496%

Statement of Revenues, Expenses and Changes in Net Assets (Pg 9)

	2018	2017	2016	Change Over Prior Year
Revenues	$ 44,566,966	$ 7,464,257	$ 8,583,344	497%
Program Expenses	17,987,492	7,979,846	11,807,473	125%
General and Administration	531,437	718,831	689,831	-26%
Total Expenditures/Expenses	18,518,929	8,698,677	12,497,304	113%
Change in Fund Balance/Net Position	26,048,037	(1,234,420)	(3,913,960)	
Fund Balance/Net Position				
Beginning of Year	5,256,378	6,490,798	10,404,758	
End of Year	$ 31,304,415	$ 5,256,378	$ 6,490,798	496%

Explanation of Programs (pg 5 and 15)

- Wellness Program
- Suicide Prevention Hotline
- Community Response Plan (Closed)
- Psychiatric Nurse Workforce Exploration (Closed)
- Drug Medi-Cal
- Orange County
- Education Development Center
- Sutter Health Systems
- LA County Tech Assist
- Public/Private Partnership Dev.
- Innovation Technology Suite – New
- LA County Media Campaign – New
- Loan Forgiveness – New
- AB1299 - New

Contingent Liability

- $350K booked as a payable for legal defense and a small estimate related to the disallowance from the DHCS.

Letters

Along with the audit report, there are two corresponding letters:

- SAS 115 Report- Report on Internal Control over Financial Reporting and on Compliance
  - No Material weaknesses identified
  - No instances of noncompliance or other matters
- Communication to those Charged with Governance
  - Audit conducted as planned without material modifications.

Conclusion

- CalMHSA continues to create new ways to work with the members to create a sustained program helping in the mental health community

We would like to thank the George Hills staff for their hard work to complete this audit and their attention to detail in maintaining the accounts and records.

Questions?

Michael Manduca

916-993-9494

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Agenda Item 5

SUBJECT: GEORGE HILLS CONTRACT WITH CALMHSA

ACTION FOR CONSIDERATION:

Finance Committee to provide a recommendation for Board approval of its decision regarding the George Hills contract.

BACKGROUND AND STATUS:

On June 15, 2017 CalMHSA Treasurer, Bill Walker provided an overview of the George Hills contract and the recommendation from the Finance and Executive Committees to approve a contract extension for a term of two years with an optional one year.

The Fourth Amendment to the George Hills contract was approved unanimously. The Fourth Amendment term is effective July 1, 2017 and will expire June 30, 2019 with an option to extend for one year.

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.

- Staff is bringing this to the attention of the Finance Committee for discussion and direction to staff of next steps.

FISCAL IMPACT:

None.

RECOMMENDATION:

Finance Committee to provide a recommendation for Board approval of its decision regarding the George Hills contract.

TYPE OF VOTE REQUIRED:

Majority vote.

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
- Fourth 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 posses 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. <u>Management Responsibilities</u>

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. <u>Recording Secretarial Responsibilities</u>

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. <u>Financial Responsibilities</u>

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 relevent 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 elimated, 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. <u>Suspension of Services</u>

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. <u>General Marketing Activities</u>

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.

Fee %	Annual Program Revenue		
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

California Mental Health Services Authority:

Wayne Clark, President

5/7/15
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

		Column 1 FY 2014-15		Column 2 FY2015-16		Column 3 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**
	JPA Administration						
	Total	**23%**	**$332,222**	**20%**	**$121,333**	**48%**	**$107,744**
	Fiscal						
	Total	**24%**	**$346,667**	**47%**	**$285,133**	**52%**	**$116,723**
	Program						
	Total	**53%**	**$765,555**	**33%**	**$200,200**		
	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**

1. **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.
2. **Column 2 (fiscal year 2015-16)**—reflects CalMHSA in full run out with only JPA management and Evaluation in operations.
3. **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

6/27/14

Dated

California Mental Health Services Authority:

Maureen F. Bauman, LCWS, MPA, President

6/26/14

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
	JPA Administration								
	Total	23%	$332,222	20%	$121,333	48%	$107,744	20%	$400,000
	Fiscal								
	Total	24%	$346,667	47%	$285,133	52%	$116,723	17%	$340,000
	Program								
	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**

1. **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.
2. **Column 2 (fiscal year 2015-16)**—reflects CalMHSA in full run out with only JPA management and Evaluation in operations.
3. **Column 3 (fiscal year 2016-17)**—reflects the final year of CalMHSA with completion of Evaluation, close-out of books, and final audit.
4. **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. CalMHSA's Board shall review the contract at least annually to determine whether the funding level is appropriate. In the event that funding exceeds $60m or falls below $20m annually, the contract amount will be subject to review and revision by CalMHSA's Board.

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

FOURTH AMENDMENT TO THE AGREEMENT FOR ADMINISTRATIVE AND FINANCIAL SERVICES

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

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

1. **The Fourth Amendment hereby amends the Third Amended Agreement to reflect the following:**

A. **Term –** Effective July 1, 2017 through, to and including June 30, 2019, with option to extend for one additional year.

B. **Program Funding & Compensation -**

i. Program funding and Resources Required – The program funding is budgeted at the same level as prior year, however additional resources are included for the Hospital Program and reserves will be utilized. In the event of future funding decreases and increases, which may result in a need for changes to FTE requirements, compensation shall be adjusted. Compensation adjustments shall be based on changes to FTE requirements, which would be agreed by the parties. This adjustment agreement by CalMHSA may be delegated to Executive or Finance Committee.

ii. Compensation adjustments would be take effect based upon the above FTE adjustment agreement, at the current hourly rate per FTE.

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

iv. Compensation Summary:

	FTE	FY 16/17	FTE	FY 17-18 Proposed	FTE	FY 17-18 Target
Contract for Admin & Finance Services-Includes state hospitals	6.8	$1,357,824	7.55	$1,554,696	9.25	$1,904,760
Contract for Exec Director -Estimated & Separate Contract	1.5	$299,520	1.5	$308,880	1.5	$308,880
Total	8.3	$1,657,344	9.05	$1,863,576	10.75	$2,213,640

IN WITNESS HEREOF, the parties hereto have executed this Agreement on June 15, 2017.

George Hills:

John Chaqueca

John Chaquica, CEO

6/15/2017

Dated

California Mental Health Services Authority:

Terence M. Rooney

Terence M. Rooney, PhD, President

6/15/17

Dated

Page 1 of 1

Agenda Item 6

SUBJECT: MHSUDS INFORMATION NOTICE NO.: 18-033

ACTION FOR CONSIDERATION:

Discussion only.

BACKGROUND AND STATUS:

Information Notice 18-033

On August 1, 2018 DHCS issued MHSUDS Information Notice 18-033, Mental Health Services Act: Implementation of Mental Health Services Fund Reversion and Reallocations Pursuant to Welfare and Institutions Code Sections 5892(h) and 5899.1, to all counties. Section D. Transfers to a Joint Powers Authority, states funds transferred to a JPA are considered spent when the JPA spends the funds for the component and purposes described in that county's Three-Year Program and Expenditure Plan or Annual Update.

Reversion period for funds transferred to a JPA begins when the SCO distributes the funds to a county, including funds withheld due to noncompliance. These provisions apply to CSS, PEI, INN, CFTN and WET components.

Additionally, counties are required to report on its ARER each transfer of funds from the Local MHSF to the JPA, each of the JPA's expenditures of the funds, and interest earned on the funds.

Note, it is uncertain as to why any accounting provisions should be different for CalMHSA than any other vendor.

CalMHSA Process

Historically, all such funds identified above have been submitted to CalMHSA without identifying the MHSA year of funding. The exception to this was the initial Statewide PEI Program, as those funds were assigned, and the reversion of time extension was granted.

CalMHSA does not track, for reversion, funds assigned by member counties for their participation in its programs. Therefore, CalMHSA does not track as defined in the above Information Notice. CalMHSA does track the funds once they are entered into CalMHSA books of record.

The process CalMHSA employs is: upon implementation of a program, at the direction of the CalMHSA Board, counties execute a Participation Agreement (PA) with CalMHSA indicating their participation in such program and assign funds based on a pre-established fund allocation or as deemed appropriate by the member county. Participation can vary from a single to a multiple year agreement. Upon Board of Supervisors (BOS) approval of the PA, funds are assigned to CalMHSA.

CalMHSA does not receive funds nor the authority to spend funds, until such time the BOS has approved the PA. Upon receiving that approval, CalMHSA starts expending funds.

Annually a Revenue and Expenditure report is prepared for each program, and this year we have moved the distribution date up for these reports to meet the December 31, 2018 deadline. These reports have and will be distributed to each member participating in the related program.

Innovation Tech Funds

These funds share the same three-year reversion period as PEI and WET. However, the recent funding towards development of applications is a deliverable that is more in line with Capital Facilities, in that the start-up time is significant. Three years is extremely difficult to accomplish the deliverables and discussions have begun to consider seeking a longer reversion period.

Next Steps

1. Review the current processes of CalMHSA and discuss options or ability to comply.
2. Discuss and provide direction as potential changes to the reversion applicability for Innovation Tech Funding.

Discussion

CalMHSA currently, does not have the capacity to track reversion dollars per program per county as dictated by the Information Notice. As such, staff is seeking guidance from the Finance Committee members as to how best to address or comply with reversion requirements as defined in the information notice.

FISCAL IMPACT:

None.

RECOMMENDATION:

Discussion only.

TYPE OF VOTE REQUIRED:

Majority vote.

REFERENCE MATERIALS ATTACHED:

- MHSUDS Information Notice No.: 18-033

JENNIFER KENT
DIRECTOR

EDMUND G. BROWN JR.
GOVERNOR

DATE: August 1, 2018

MHSUDS INFORMATION NOTICE NO.: 18-033

TO: COUNTY BEHAVIORAL HEALTH DIRECTORS
COUNTY DRUG & ALCOHOL ADMINISTRATORS
COUNTY AUDITORS OFFICE
COUNTY BEHAVIORAL HEALTH DIRECTORS ASSOCIATION OF CALIFORNIA
CALIFORNIA COUNCIL OF COMMUNITY BEHAVIORAL HEALTH AGENCIES
COALITION OF ALCOHOL AND DRUG ASSOCIATIONS
CALIFORNIA ASSOCIATION OF ALCOHOL & DRUG PROGRAM EXECUTIVES, INC.
CALIFORNIA ALLIANCE OF CHILD AND FAMILY SERVICES
CALIFORNIA OPIOID MAINTENANCE PROVIDERS
CALIFORNIA STATE ASSOCIATION OF COUNTIES

SUBJECT: MENTAL HEALTH SERVICES ACT: IMPLEMENTATION OF MENTAL HEALTH SERVICES FUND REVERSIONS AND REALLOCATIONS PURSUANT TO WELFARE AND INSTITUTIONS CODE SECTIONS 5892(h) and 5899.1

Background

Assembly Bill 114 (Chapter 38, Statutes of 2017) amended Welfare and Institutions Code (W&I) Sections 5892 (h) and 5899; and added Sections 5892.1 and 5899.1. W&I Section 5899.1(b) authorizes the Department of Health Care Services (DHCS) to implement, interpret, or make specific Sections 5892 (h), 5892.1, and 5899.1 of W&I by means of all county letters or other similar instructions. DHCS implemented W&I Section 5892.1 through Information Notice 17-059, which was released on December 28, 2017. The purpose of this Information Notice (IN) is to implement W&I Sections 5892 (h) and 5899.1(a).

Welfare and Institutions Code Section 5892 (h)

W&I Section 5892(h) requires that Mental Health Services Act (MHSA) funds distributed to a county revert to the Mental Health Services Fund (MHSF) if the county has not spent the funds within a specified period-of-time (i.e., reversion period). The reversion period depends upon the county's population and the program component. This section of the IN specifies the consequences for a county that is late submitting its Annual Revenue and Expenditure Report (ARER); how DHCS will determine each county's population; how it will determine the reversion period for the different combinations of county population and program component; how it will calculate the amount to revert each fiscal year; and how a county may appeal DHCS' reversion calculation.

A. Consequences for Failure to Timely Submit ARERs

Each county must submit its ARER to DHCS in a timely manner in order for DHCS to be able to calculate the amount of a county's unspent funds subject to reversion. Every fiscal year, counties are required to submit their ARER to DHCS by December 31 following the close of the fiscal year. If a county does not submit its ARER by the required deadline, DHCS will direct the State Controller's Office (SCO) to withhold 25 percent of that county's monthly allocation from the MHSF until the county submits the overdue ARER. Upon receipt of the complete and accurate ARER(s), DHCS will direct the SCO to release the withheld funds to the county.[1] Counties will not earn interest on funds that the state withholds. DHCS will implement this policy with the September 2018 distribution and will apply the policy to ARERs beginning with the Fiscal Year (FY) 2012-13 ARER.

B. County Population

For the purposes of determining the reversion period for MHSA funds distributed to a county in a particular fiscal year, DHCS will use the Department of Finance (DOF) January 1 population estimates for the prior fiscal year as reported in *State of California, Department of Finance, E-1. Cities, Counties, and the State Population Estimates with Annual Percent Change*.

For example, DHCS will use the DOF January 1, 2018, population estimate to determine the county population size and reversion period for funds distributed to counties in FY 2018-19. Beginning with FY 2018-19, DHCS will publish an IN with the county population estimates prior to the beginning of the fiscal year. The IN that DHCS publishes for to FY 2018-19 will include population estimates for funds distributed in

[1] Welf. & Inst. Code §§ 5892, subd. (h), 5899, subd. (e)

FY 2015-16, 2016-17, 2017-18, and 2018-19 and is expected to be published by the end of July 2018.

C. <u>Reversion Period by County Population and Program Component</u>

Counties with a Population of 200,000 or More- CSS and PEI

A County with a population of 200,000 or more must spend the funds distributed to the county for the Community Services and Supports (CSS) and Prevention and Early Intervention (PEI) components, including interest earned and allocated to those components, within three fiscal years of receiving the funds and earning the interest. In determining the three fiscal year period, the fiscal year in which the SCO distributes the money to the county, including funds withheld due to noncompliance, is the first fiscal year. For example, funds the SCO distributed to the county, including funds withheld due to noncompliance, in FY 2015-16 for the CSS component are available for the county to spend in FY 2015-16, FY 2016-17, and FY 2017-18. Interest earned in a fiscal year is treated the same way as revenue received during that fiscal year for purposes of the calculation of reversion. Any funds distributed to a county for CSS and PEI components that the county does not spend within three years will revert to the MHSF.[2]

A County with a population of 200,000 or more may transfer CSS funds to its Capital Facilities and Technological Needs (CFTN) component, Workforce Education and Training (WET) component, and prudent reserve within three fiscal years of receiving the funds (W&I, Section 5892(b)). CSS funds that a county does not transfer or spend within three fiscal years will be reverted. All transfers to the CFTN and WET components are irrevocable.[3]

Counties with a Population of Less Than 200,000- CSS and PEI

A County with a population of less than 200,000 must spend funds distributed to the county for the CSS and PEI components, including interest earned and allocated to those components, within five fiscal years of receiving the funds and earning the interest. In determining the five fiscal year period, the fiscal year the SCO distributes the money to the county, including funds withheld due to noncompliance, is the first fiscal year. For example, funds the SCO distributed to a county for the CSS or PEI component, including funds withheld due to noncompliance, in FY 2015-16 are available for the county to spend in FY 2015-16, FY 2016-17, FY 2017-18, FY 2018-19 and

[2] Welf. & Inst. Code § 5892, subd. (h)(1)
[3] Welf. & Inst. Code § 5892, subds. (b), (f), (h)(1)

FY 2019-20. Interest earned in a fiscal year is treated the same way as revenue received during that fiscal year for purposes of reversion. Any funds distributed to a county for CSS and PEI components that the county does not spend within five fiscal years will revert to the MHSF.[4]

A County with a population of less than 200,000 may transfer CSS funds to its CFTN component, WET component and prudent reserve within five fiscal years of receiving the funds (W&I Section 5892(b)). CSS funds a county does not transfer or spend within five fiscal years will be reverted. All transfers to the CFTN and WET are irrevocable.[5]

Counties with a Population of 200,000 or More - INN

Beginning with funds distributed in FY 2015-16, a county with a population of 200,000 or more must obtain approval from the Mental Health Services Oversight and Accountability Commission (MHSOAC) for an Innovative Project Plan to spend INN funds, including interest earned and allocated to the INN component, within three fiscal years of receiving those funds and earning the interest. In determining the three fiscal year period, the fiscal year that the SCO distributes the funds to the county, including funds withheld due to noncompliance, is the first fiscal year. For example, funds the SCO distributed to a county, including funds withheld due to noncompliance, in FY 2015-16 for the INN component are available to be included in an Innovative Project Plan in FY 2015-16, FY 2016-17, and FY 2017-18. INN funds not dedicated to an approved Innovative Project Plan within three fiscal years shall revert to the MHSF. Interest earned in a fiscal year will be treated the same way as revenue received during that fiscal year for purposes of reversion.[6]

Beginning with funds distributed in FY 2015-16, a county with a population of 200,000 or more that obtains approval from the MHSOAC for an Innovative Project Plan must spend the INN funds identified in that plan within three fiscal years of receiving the MHSOAC's approval, or within three fiscal years from the fiscal year in which the SCO distributed the funds to the county, whichever is later. In determining the three-year fiscal period, the fiscal year that the MHSOAC approves the county's plan or the fiscal year in which the SCO distributed the funds to the county, including funds withheld due to noncompliance, is the first fiscal year. The funds shall revert to the MHSF if a county fails to spend such funds within three fiscal years from receiving MHSOAC approval or within three fiscal years from the fiscal year in which the SCO distributed the funds to the county, including funds withheld due to noncompliance.[7]

[4] Welf. & Inst. Code § 5892, subds. (f), (h)(3)
[5] Welf. & Inst. Code § 5892, subds. (b), (f), (h)(3)
[6] Welf. & Inst. Code § 5892, subds. (f), (h)(1), (2)
[7] Welf. & Inst. Code § 5892, subd. (h)(2)

Counties with a Population of Less Than 200,000 - INN

Beginning with funds distributed in FY 2015-16, a county with a population of less than 200,000 must obtain approval from the MHSOAC for an Innovative Project Plan to spend INN funds, including interest earned and allocated to the INN component, within five fiscal years of receiving those funds and earning the interest. In determining the five-fiscal-year period, the fiscal year that the SCO distributes the funds to the county, including funds withheld due to noncompliance, for the INN component is the first fiscal year. For example, funds the SCO distributed to a county, including funds withheld due to noncompliance, in FY 2015-16 for the INN component are available to be included in an Innovative Project Plan in FY 2015-16, FY 2016-17, FY 2017-18, FY 2018-19 and FY 2019-20. INN funds not dedicated to an approved Innovative Project Plan within five fiscal years shall revert to the MHSF. Interest earned in a fiscal year is treated the same way as revenue received during that fiscal year for purposes of reversion.[8]

Beginning with funds distributed in FY 2015-16, a county with a population of less than 200,000 that obtains approval from the MHSOAC for an Innovation Project Plan must spend the INN funds identified in that plan within five fiscal years of receiving the approval or five fiscal years from when the SCO distributed the funds to the county. In determining the five fiscal year period, the fiscal year that the MHSOAC approves the county's plan or the SCO distributed the funds to the county, including funds withheld due to noncompliance, is the first fiscal year. The funds shall revert to the MHSF, if a county fails to spend such funds within five fiscal years from receiving approval or the SCO distributing the funds to the county.[9]

Beginning with funds distributed in FY 2015-16, a county with a population of less than 200,000 that obtains approval from the MHSOAC for an Innovation Project Plan prior to July 1, 2017, must spend the INN funds identified in that plan within three fiscal years of receiving the funds. In determining the three fiscal year period, the fiscal year that the SCO distributes the funds to the county, including funds withheld due to noncompliance, is the first fiscal year. If a county fails to spend such funds within three fiscal years of receiving the funds, the funds shall revert to the MHSF.[10]

[8] Welf. & Inst. Code § 5892, subds. (f), (h)(3)
[9] Welf. & Inst. Code § 5892, subd. (h)(4)
[10] Welf. & Inst. Code § 5892, subd. (h)(4)

All Counties - Capital Facilities and Technological Needs and Workforce Education and Training

All counties must spend funds transferred from the CSS component to the CFTN or WET components within ten fiscal years of the fiscal year of distribution. In determining the ten-year fiscal period, the fiscal year that the SCO distributes the funds to the county, including funds withheld due to noncompliance, and is the first fiscal year. For example, CSS funds distributed to a county in FY 2008-09, which the county transferred to the CFTN component, are available for expenditure in FY 2008-09, FY 2009-10, FY 2010-11, FY 2011-12, FY 2012-13, FY 2013-14, FY 2014-15, FY 2015-16, FY 2016-17 and FY 2017-18. Any funds distributed to a county that the county transferred to its CFTN component and/or WET component that are not spent within the ten-year period will revert to the MHSF.[11]

D. Amount Subject to Reversion

Methodology for Calculating Reversion Amounts: CSS, PEI, CFTN, and WET

DHCS will calculate reversion amounts using the first-in-first-out method for the CSS and PEI components beginning with revenue distributed in FY 2015-16 and for the CFTN and WET components beginning with funds transferred from the CSS component in FY 2008-09. The first-in first-out method assumes that the first dollar received is the first dollar spent. Beginning with funds available for the CSS, PEI, and INN components in FY 2015-16 and funds available for the CFTN and WET in FY 2008-09, DHCS will subtract MHSA expenditures reported in the ARER for each component from the remaining balance of funding in the oldest fiscal year within the reversion period for the county and component. If expenditures less the balance of funding is greater than zero, DHCS will subtract the balance of expenditures from the remaining balance of funding in the next fiscal year. DHCS will repeat this process until the balance of expenditures minus the remaining balance of funding is less than or equal to zero. DHCS will revert the balance of funding for a county and component that is greater than zero at the end of the reversion period.[12]

Assume a large county received $1,000,000 for the CSS component in FY 2015-16. The same county reported that it spent $250,000 on the CSS component in FY 2015-16, $500,000 in FY 2016-17, and $750,000 in FY 2017-18. The reversion period for the CSS component is three years. After FY 2015-16, this county would have $750,000 ($1,000,000 - $250,000) left from the funds received in FY 2015-16. After

[11] Welf. & Inst. Code § 5892, subd. (h)(1)
[12] Welf. & Inst. Code § 5892, subd. (h)(1), (3)

FY 2016-17, the county would have $250,000 ($750,000 - $500,000) left from the funds received in FY 2015-16. The county would have spent the entire $1,000,000 in FY 2017-18. ($250,000 - $750,000 = ($500,000)). DHCS would subtract the remaining $500,000 from the funds received for the CSS component in FY 2016-17.

Methodology for Calculating Reversion Amounts: INN

Counties that received MHSOAC approval for Innovative Project Plans prior to July 1, 2017, may have committed INN funds distributed in FY 2015-16 through FY 2018-19, and may continue to spend those funds to implement the approved Innovative Project Plan. Each county currently reports in the ARER how much it spent on each Innovative Project Plan during the fiscal year and identifies the date the MHSOAC approved each plan. DHCS will use the following methodology to determine how much each county spent from INN component funds distributed in FY 2015-16 through FY 2018-19 on Innovative Project Plans approved prior to July 1, 2017:

Step #1 Identify the amount distributed to each county for the INN component in FY 2015-16 through FY 2018-19. Pursuant to W&I Section 5892.1 and MHSUDS IN 17-059, this does not include the amount reverted and reallocated to each county for FY 2005-06 through FY 2014-15.

Step #2 Calculate the sum of INN component expenditures, as reported in the FY 2015-16 and FY 2016-17 ARERs that DHCS did not use in determining funds deemed reverted and reallocated pursuant to IN 17-059.

Step #3 Calculate the sum of INN component expenditures for programs approved by the MHSOAC prior to July 1, 2017, as reported in the FY 2017-18 and FY 2018-19 ARERs.

Step #4 Calculate the sum of the results from step two and step three.

Step #5 Subtract the amount determined in Step #4 from the county's FY 2015-16 INN component funding as identified in Step #1.

Step #6 If the amount determined in Step #5 is greater than or equal to zero, the result in Step #3 is equal to the FY 2015-16 funding available to commit to an INN project plan approved after July 1, 2017. The amount identified for FY 2016-17 through FY 2018-19 in Step #1 is also available to commit to an INN project plan approved after July 1, 2017.

Step #7 If the amount determined in Step #5 is less than zero, calculate the sum of the amount determined in Step #5 and the amount identified in Step #1 for FY 2016-17.

Step #8 If the amount determined in Step #7 is greater than or equal to zero, the result in Step #7 is equal to the amount of INN component funds distributed in FY 2016-17 that are available to commit to a plan approved after July 1, 2017. All INN component funds distributed in FY 2017-18 and FY 2018-19 are available to commit to an INN project plan approved after July 1, 2017.

Step #9 If the amount determined in Step #7 is less than zero, calculate the sum of Step #7 and the INN component funds distributed to the county in FY 2017-18 as identified in Step #1.

Step #10 If the amount determined in Step #9 is greater than or equal to zero, the result in Step #9 is equal to the amount of INN component funds distributed in FY 2017-18 that are available to commit to a plan approved after July 1, 2017. All INN component funds distributed in FY 2018-19 are also available to commit to an INN project plan approved after July 1, 2017.

Step #11 If the amount determined in Step #9 is less than zero, calculate the sum of the result in Step #9 and the amount of INN component funds distributed to the county in FY 2018-19 as identified in Step #1.

Step #12 If the amount determined in Step #11 is greater than or equal to zero, the result in Step #11 equals the amount of INN component funds distributed in FY 2018-19 that are available to commit to a plan approved after July 1, 2017.

DHCS will revert funds distributed to a county for the INN component that have not been committed to an approved INN project plan and spent within the reversion period.

Beginning with plans approved in FY 2017-18, DHCS will use the following methodology to determine whether a county has met the requirement to obtain approval from the MHSOAC for an Innovative Project Plan within three fiscal years or five fiscal years of receiving the funds.

Step #1 DHCS will identify the total amount of INN component funds contained in the budget of the approved INN plan.

Step #2	DHCS will identify the oldest available INN component funding within the reversion period that the county did not spend on a plan approved prior to July 1, 2017, and has not committed to a plan approved on or after July 1, 2017.
Step #3	DHCS will subtract the amount identified in Step #2 from the amount identified in Step #1.
Step #4	If the result in Step #3 is greater than zero, the entire amount in Step #2 is committed to this plan. DHCS will complete Steps #2 and #3 to commit more recent INN component funding.
Step #5	If the result in Step #3 is equal to zero, the entire amount in Step #2 is committed to this plan.
Step #6	If the result in Step #3 is less than zero, the sum of Step #2 Step #3 is committed to this plan.
Step #7	DHCS will revert INN component funds that a county does not spend on a plan approved prior to July 1, 2017, or does not commit to a plan approved on or after July 1, 2017.

DHCS will revert funds committed to an approved Innovative Project Plan within the period required to commit funds if the county does not spend those funds within the reversion period for the county and INN component. DHCS will use the first-in first-out method to calculate reversion. The first-in first-out method assumes the first dollar committed to an Innovative Project Plan is the first dollar spent.

Beginning in the winter of 2018, and using the FY 2017-18 ARER, DHCS will subtract MHSA expenditures reported for Innovative Project Plans approved after July 1, 2017, from the remaining balance of funds committed to an Innovative Project Plan approved after July 1, 2017, in the oldest fiscal year within the reversion period for the county and component. If expenditures less the balance of funding are greater than zero, DHCS will subtract the balance of expenditures from the remaining balance of funding in the next fiscal year. DHCS will repeat this process until the balance of expenditures minus the remaining balance of funding is less than or equal to zero. DHCS will revert the balance of funding for a county that is greater than zero at the end of the reversion period for that county[13],[14]

[13] Welf. & Inst. Code § 5892, subd. (h)(2), (4)
[14] The amount of funds subject to reversion for a fiscal year may subsequently be revised based on a Department audit finding that a county failed to spend funds as reported on its ARER.

Sources of Data

DHCS will utilize the following sources of data in calculating reversion:

- Revenue is equal to the amount the SCO distributed to the county, including funds withheld, from July through June of the fiscal year plus any interest earned. DHCS will use the amounts the SCO publishes in the Monthly Mental Health Service Fund reports[15]. DHCS will also use the amount of interest earned as reported on the ARER. DHCS will allocate the amount the SCO distributed to the county and interest earned as follows: 76 percent to the CSS component, 19 percent to the PEI component, and percent to the INN component. These percentage allocations are consistent with how Title 9, California Code of Regulations, Section 3930(d)(7) requires counties to allocate, among components, funds deposited into the local mental health services fund.
- Expenditures, as reported each fiscal year in the MHSA ARER. DHCS will use the sum of all expenditures of MHSA funds, including interest, for each component funded.

E. Notice of Funds Subject to Reversion/Appeals Process

Notice of Funds Subject to Reversion

By April 30 of each year, DHCS will send via certified mail a notice to each county notifying them of the amount of county funds that are subject to reversion. The notice will include a schedule of the county's funds subject to reversion from each component (CSS, PEI, INN, CFTN, and WET), and will include data from the county's ARER that DHCS used to determine the amounts subject to reversion.[16]

County Submission of Appeal

If a county disagrees with DHCS's determination of the reversion amount, the county may submit an appeal to DHCS. To appeal, the county shall submit the following documents by email to **MHSA@dhcs.ca.gov**:

- A completed Adjustments to Revenue or Expenditure Summary form (Enclosure 1).
- An executed MHSA Fiscal Accountability Certification form (Enclosure 2).

[15] Since the SCO reports display allocations from August through July, the calculation of revenue for one fiscal year will cross SCO reports.
[16] Welf. & Inst. Code § 5892, subd. (h)

The county must submit an appeal within **30 calendar days** of receiving the notice of the amount of the county's funds that are subject to reversion. **DHCS will not consider late appeals.**

Decision on Appeal

DHCS will review the appeal documents and email a written decision to the county within 45 calendar days of receiving the appeal. DHCS's decision will include a statement of the reasons that support the decision. DHCS is working with the SCO to finalize the process by which the State will revert and reallocate funds subject to reversion.

F. Reversion of Funds

Administration of Funds

Each county shall administer funds deposited by the SCO into their Local MHSF in compliance with the following:

A. Allocation of CSS, PEI and INN Funds, Including Interest Earned

Each fiscal year counties must allocate funds distributed by the SCO from the MHSF to the county's Local MHSF, other than reverted and redistributed funds,[17] on the following percentage basis:

1. Five percent to the INN component.
2. Nineteen percent to the PEI component.
3. Seventy-six percent to the CSS component.[18]

The county must invest Funds deposited into its Local MHSF consistent with other county funds.[19] Each county must deposit the interest earned on these funds in a fiscal year into the Local MHSF the same fiscal year and allocate the interest earned as follows:

1. Five percent to the INN component.
2. 19 percent to the PEI component.

[17] Welf. & Inst. Code § 5899.1, subd. (a)
[18] Welf. & Inst. Code § 5892, subd. (a)(3-5)
[19] Welf. & Inst. Code § 5892, subd. (f)

3. 76 percent to the CSS component.[20]
4. Interest earned should be reflected as revenue on the ARER according to the fiscal year and component.[21]
5. Interest earned on investment of MHSA funds in a fiscal year is subject to the same expenditure requirements and reversion timelines as MHSA funds the SCO distributes to the county in that same fiscal year.[22]

B. <u>Transfer of CSS funds to the Prudent Reserve, CFTN component and WET component</u>

A county may transfer funds from the CSS component, including reallocated funds, into its prudent reserve, the CFTN component and/or WET components, provided all transfers meet the following requirements:

1. During a fiscal year, a county may only transfer into its prudent reserve, CFTN component, WET component, or any combination of the three up to 20 percent of the average amount of the total funds, <u>including redistributed funds</u>, deposited by the SCO into the Local MHSF over the previous five years.[23]
2. The 20 percent is calculated as follows:
    a) Add the total funds distributed for all components for the previous five years.
    b) Divide the total amount by five.
    c) Multiply this amount by twenty percent.[24]
3. A county shall report as spent the full cost of an asset purchased with CFTN funds on the ARER for the fiscal year when the county purchased the asset.[25]

C. <u>Prudent Reserve Funding Levels</u>

A county must fund its prudent reserve solely with funds allocated to the CSS component. A county shall not maintain a balance in the Prudent Reserve that exceeds 33 percent of the largest distribution to the county from the MHSF in a fiscal year. A county with a Prudent Reserve that contains an amount larger than the 33 percent must not transfer additional funds into the prudent reserve until its balance is below 33

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[20] Welf. & Inst. Code § 5892, subd. (f)
[21] Welf. & Inst. Code § 5899, subd. (c)(3), 5892, subd. (h)
[22] Welf. & Inst. Code § 5892, subd. (h)
[23] Welf. & Inst. Code § 5892, subd. (b)
[24] Welf. & Inst. Code § 5892, subd. (b)
[25] Welf. & Inst. Code §§ 5892, subd. (h), 5899, subds. (a), (b)

percent. DHCS will publish an IN prior to the beginning of each fiscal year informing each mental health plan of its maximum prudent reserve level.[26]

D. Transfers to a Joint Powers Authority

A county may transfer funds to a Joint Power Authority (JPA) formed pursuant to Government Code 6500. The following apply to such transfers:

1. Funds a county transfers to a JPA are considered spent when the JPA spends the funds for the component and purposes described in that county's Three-Year Program and Expenditure Plan or Annual Update.
2. The reversion period for funds transferred to a JPA begins when the SCO distributes the funds to a county, including funds withheld due to noncompliance. In determining the reversion period, the fiscal year in which the SCO distributed the funds to a county, including funds withheld due to noncompliance, is the first fiscal year. Funds transferred to the JPA must be spent within the timeframe allotted for CSS, PEI, INN, CFTN and WET components, as described in this Information Notice, and if not, will be subject to the reversion timelines described above.[27]
3. The county must report on its ARER each transfer of funds from the Local MHSF to the JPA, each of the JPA's expenditures of the funds, and interest earned on the funds.[28]

For questions regarding this IN, please contact Donna Ures, Chief, Mental Health Services Act Section, at donna.ures@dhcs.ca.gov or (916) 713-8802.

Sincerely,

Original signed by

Brenda Grealish, Acting Deputy Director
Mental Health and Substance Use Disorder Services

Enclosures

[26] Welf. & Inst. Code §§ 5847, subd. (b)(7), 5892, subds. (b), (h)
[27] Welf. & Inst. Code § 5892, subd. (h)
[28] Welf. & Inst. Code §§ 5892, subd. (h), 5899, subds. (a), (c)(3)

Agenda Item 7

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:

A. Cancellation of January 21st Finance Committee Teleconference

B. Other Financial Matters

FISCAL IMPACT:

None.

RECOMMENDATION:

None. Information only.

TYPE OF VOTE REQUIRED:

Majority vote.

REFERENCE MATERIALS ATTACHED:

- None.