

**California Mental Health Service Authority
FINANCE COMMITTEE TELECONFERENCE**

AGENDA

**March 28, 2016
3:00 p.m. – 4:00 p.m.**

**Dial-in Number: 916-233-1968
Access Code: 3043**

George Hills Company / CalMHSA
3043 Gold Canal Drive, Suite 200
Rancho Cordova, CA 95670

Sonoma County
3332 Chanate Road
Santa Rosa, CA 95404

Madera County
209 E. 7th Street
Madera, CA 93638

Fresno County
4441 E. Kings Canyon, MS #97
Fresno, CA 93702

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

The Finance Committee welcomes and encourages public participation in its meetings. Following each item, time is reserved for members of the public to address the Committee. 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. 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 Chair may announce the maximum amount of time that will be allowed for presentation of testimony on that item.

FINANCE COMMITTEE MEETING

- 1. CALL TO ORDER**
- 2. ROLL CALL AND PUBLIC COMMENT INSTRUCTION**

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

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

3. CONSENT CALENDAR	3
A. Routine Matters	
a. Minutes from the October 26, 2015 Finance Committee Teleconference	
b. Minutes from the January 11, 2016 Finance Committee Teleconference	
B. Reports/Correspondence	
a. CalMHSA Revenue and Expenditure Report for Fiscal Year Ended June 30, 2015 – Report to California Department of Health Care Services (CDHCS)	
b. Financial Audit for the year ended June 30, 2015	
<i>Recommendation: Approval of the consent calendar.</i>	
4. CASH FLOW MANAGEMENT AS OF FEBRUARY 2016	42
A. Cash Balance as of February 29, 2016	43
<i>Recommendation: For information and discussion.</i>	
5. CALMHSA FISCAL YEAR 2016/2017 BUDGET PROJECTION AND TIMELINE	47
A. Budget Scenario Discussion – 2016/2017 Fiscal Year	
<i>Recommendation: None, information only.</i>	
6. CALMHSA FINANCIAL STATEMENT FOR QUARTER ENDING DECEMBER 31, 2015	49
A. CalMHSA Financial Statement for Quarter Ending December 31, 2015.....	50
<i>Recommendation: Approval of the CalMHSA Financial Statements for the Quarters ending December 31, 2015 for presentation at the next scheduled Board of Directors Meeting.</i>	
7. STATE HOSPITAL BEDS PROGRAM UPDATE	53
<i>Recommendation: None, information only.</i>	
8. CALMHSA FINANCIAL AUDIT ENGAGEMENT	56
<i>Recommendation: Discussion and consideration to continue audit contract with James Marta & Company.</i>	
9. EXECUTIVE DIRECTOR FINANCE REPORT	64
A. Strategic Development of 2016/2017 Revenue	
B. Drug Medi-Cal – Status	
C. Financial Modernization Pilot Program – Status	
D. Private Sector Feasibility Study	
<i>Recommendation: None, information only.</i>	
10. 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.	
11. CLOSING COMMENTS	
12. 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 October 26, 2015 Finance Committee Teleconference
- b. Minutes from the January 11, 2016 Finance Committee Teleconference

B. Reports/Correspondence

- a. CalMHSA Revenue and Expenditure Report for Fiscal Year Ended June 30, 2015 – Report to California Department of Health Care Services (CDHCS)
- b. Financial Audit for the year ended June 30, 2015

FISCAL IMPACT:

None.

RECOMMENDATION:

Approval of the Consent Calendar.

TYPE OF VOTE REQUIRED:

Majority vote.

REFERENCE MATERIALS ATTACHED:

- Minutes from the October 26, 2015 Finance Committee Teleconference
- Minutes from the January 11, 2016 Finance Committee Teleconference
- CalMHSA Revenue and Expenditure Report for Fiscal Year Ended June 30, 2015 – Report to California Department of Health Care Services (CDHCS)
- Financial Audit for the year ended June 30, 2015



CalMHSA Finance Committee

TELECONFERENCE MINUTES FROM OCTOBER 26, 2015

Finance Committee Members

Present

- Dawan Utecht, CalMHSA Treasurer, Fresno County
- Dennis P. Koch, Madera County
- Dr. William Arroyo, Los Angeles County
- Michael Lucid, Sonoma County

Absent

- Terence M. Rooney, Colusa County
- Jerry Wengerd, Riverside County
- Maureen Bauman, CalMHSA President (Ex-Officio)

CalMHSA Staff

- Wayne Clark, Executive Director
- John Chaquica, Chief Operating Officer
- Kim Santin, Finance Director
- Laura Li, JPA Administrative Manager
- Alex Wilson, Administrative Assistant

Consultants/Presenters

- Doug Alliston, Legal Counsel

Public

- Senaida Range, Colusa County

1. **Call to Order**

The CalMHSA Finance Committee teleconference was called to order at 3:04 p.m. on October 26, 2015 by Finance Director Kim Santin, CalMHSA.

2. **Roll Call and Public Comment Instructions**

Finance Director Santin called roll and a quorum was established. All participants were asked to introduce themselves. Treasurer Dawan Utecht, Fresno County, proceeded to review the public comment instructions, noting that items not on the agenda would be reserved for public comment at the end of the meeting.

3. **Consent Calendar**

Treasurer Utecht asked for any changes to the September Treasurer's report, as well as the September 14, 2015 committee minutes. None were proposed.

Action: Approval of the consent calendar.

Motion: Dennis P. Koch, Madera County

Seconded: Dr. William Arroyo, Los Angeles County

Motion passed.

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

None

4. **Cash Flow Management**

Treasurer Utecht referred to the documents provided in the agenda packet, in review of the current CalMHSA cash balance, stating the balance had declined as predicted, though the cash flow has exceeded its projected rate. The committee agreed on the criticality of assisting counties in ensuring there are no issues with posting of receipts.

Action: None, information only.

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

None

5. **CalMHSA Bylaw Amendment**

Treasurer Utecht directed the committee to the amended bylaws. Finance Director Kim Santin, CalMHSA, gave an overview of the proposed amendment and emphasizing the year-end budget projections for CalMHSA as proof of its necessity. The committee provided input on language clarification.

Action: Approval of proposed amendment to bylaws (to be presented before the Board)

Motion: Dr. William Arroyo, Los Angeles County

Seconded: Michael Lucid, Sonoma County

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

None

6. **CalMHSA Executive Director Finance Report**

Executive Director Wayne Clark, CalMHSA, presented a report on various financial matters, to include Short-Doyle Modernization project still in progress, proposals to assist counties with implementation plans for the Drug Medi-Cal program, and updates State Hospital Bed project. Chief Operating Officer John Chaquica, CalMHSA, provided additional detail reminding committee members of the upcoming meeting with the Department of State Hospitals.

Action: None, information only.

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

None

7. **General Public Comment**

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

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

None

8. **Closing Comments**

Treasurer Dawan Utecht, Fresno County, asked for any closing comments.

9. **Adjournment**

With no further comments, the meeting was adjourned at 3:35 p.m.



CalMHSA Finance Committee

TELECONFERENCE MINUTES FROM JANUARY 11, 2016

Finance Committee Members

Present

- Dawan Utecht, CalMHSA Treasurer, Fresno County
- Dennis P. Koch, Madera County
- Dr. William Arroyo, Los Angeles County

Absent

- Terence M. Rooney, Colusa County
- Maureen Bauman, CalMHSA President (Ex-Officio)
- Michael Lucid, Sonoma County

CalMHSA Staff

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

Consultants/Presenters

- Michael Manduca, James Marta Company
- Sarah Brichler, Consultant

Public

- Michelle Rodriguez-Ziemer, Contra Costa

1. **Call to Order**

The CalMHSA Finance Committee teleconference was called to order at 3:07 p.m. on January 11, 2016 by Finance Committee Chair Dawan Utecht, Fresno County.

2. **Roll Call and Public Comment Instructions**

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

3. **Consent Calendar**

Treasurer Utecht asked for any changes to the minutes from October 26, 2015, as well as the CalMHSA Revenue and Expenditure report. None were proposed.

Action: Approval of the consent calendar.

No motion due to lack of quorum.

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

None

4. **Review of Draft Financial Audit**

Finance Director Kim Santin, CalMHSA, introduced Michael Manduca of James Marta and Company, who outlined key points in the audit report draft attached to the agenda. Mr. Manduca indicated they found no material weaknesses, no issues, and no material modifications needed. It was concluded that the CalMHSA books had passed the audit without issue.

Action: Approval of the Draft Financial Audit for presentation at the next scheduled Board of Directors meeting.

No motion due to lack of quorum, however supported by those present.

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

None

5. **Cash Flow Management**

Finance Director Kim Santin, CalMHSA, referred to the documents provided in the agenda packet commencing on page 39 of the packet. Ms. Santin reported that CalMHSA currently has \$14 million in the bank over what was projected due to sustainability funds held in LAIF. Liquid funds are readily available for large payouts, such as CSU with a current invoice at approx. \$1,100,000.00.

The importance of getting counties to contribute in an expedited manner was then reiterated.

Action: None, information only.

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

None

6. **CalMHSA Financial Statement for Quarter Ending September 30, 2015**

Ms. Santin then gave an overview of the Financial Statement for the quarter. The total cash balance as of September 30, 2015 is \$14.2 million. The balance in accounts receivable as of September 30, 2015, is \$3.3 million. The balance in accounts payable as of September 30, 2015, is \$1.2 million. Overall expenses are in accordance with the planned budget.

Action: Approval of the CalMHSA Financial Statement for the Quarter ending September 30, 2015 for presentation at the next scheduled Board of Directors meeting.

No motion due to lack of quorum.

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

None

7. **CalMHSA Executive Director Finance Report**

Executive Director Wayne Clark, CalMHSA, presented his report on general financial matter, including the strategic development of 2016/2017 revenue, CalMHSA's growing involvement in Drug Medi-Cal, and the upcoming request for 1% of all state MHSAs funds to be allocated to CalMHSA Statewide PEI projects. Dr. Clark then introduced Sarah Brichler to provide an overview of the Financial Modernization plan. Ms. Brichler reported that the initial data on the SD3 pilot counties has begun to return, on schedule, with more detailed information to be available by the time of the next Committee meeting.

Action: None, information only.

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

None

8. **General Public Comment**

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

None

9. **Closing Comments**

Treasurer Dawan Utecht, Fresno County, asked for any closing comments.

10. **Adjournment**

With no further comments, the meeting was adjourned at 3:55 p.m.

DRAFT

Memo

December 18, 2015

To: Karen Baylor, California Department of Health Care Services (CDHCS)

From: Kim Santin, Finance Director, California Mental Health Services Authority

Re: CalMHSA Contract 09-79119-00 (DHCS #12-89125) Reporting for the Fiscal Year Ended June 30, 2015

On behalf of the California Mental Health Services Authority (CalMHSA), enclosed is the JPA's revenue and expenditure report for the year ended June 30, 2015. The financial audit report will be sent under separate cover. The attached report demonstrates CalMHSA's execution of the deliverables outlined in the April 29, 2010 contract:

- B. Commencing in FY 2010/2011 and each fiscal year thereafter, not later than December 31, the Contractor shall provide to CDHCS the following information for the previous fiscal year:
 - (1) An accounting of the funds administered by the Contractor in aggregate, to include:
 - a.) Amount at the beginning of the fiscal year in the account specified in item 5.B.
 - b.) Amounts received during the fiscal year.
 - c.) Amount disbursed throughout the fiscal year.
 - (2) An accounting of funds by County as specified in item 5.B.(6) to include:
 - a.) Amount at the beginning of the reporting term.
 - b.) Amount of funds received for each County.
 - c.) Amount of interest earned on funds by date posted to the account.
 - d.) Amount of funds remaining for each County at the end of the reporting term.
 - e.) A report on the total amount of encumbered and unencumbered funds.
- C. The Contractor shall prepare and distribute at its meetings quarterly reports of all of its revenues and expenditures.
- D. The Contractor shall keep such books and records of the operation of the programs and the Account, pursuant to generally accepted accounting principles for governmental entities, practices and applicable laws and regulations. CDHCS, or its representative, shall have the right to audit the programs and Account, at its expense, and upon reasonable notice to the Contractor.

Please contact me with any questions (916-859-4820, kim.santin@calmhsa.org).

California Mental Health Service Authority (CalMHSA)
Contract 09-79119-00 Reporting
For the Fiscal Year Ended June 30, 2015

Contract 09-79119-000

References:

5B(2)a
5B(1)a 5B(2)b
5B(1)b 5B(2)b
5B(1)b 5B(2)b
5B(1)b

5B(1)c 5B(2)c 5B(2)d

County	County/Total Available Funds (Includes funding for 11/12 Fiscal Year)	Amount at Beginning of Fiscal Year	Phase I Funds Received During 2014/2015 Fiscal Year	Phase II Funds Received During 2014/2015 Fiscal Year	Phase III Funds Received During 2014/2015 Fiscal Year	Phase I Funds Receivable June 30, 2015	Total PEI Funds recognized as Revenue by CalMHSA under GAAP Accounting	Less Disbursements of \$26,850,646	Interest Earned on PEI Funds \$224,015	GAAP Basis PEI Fund Balance as of June 30, 2015 Note (1)	Contract Basis PEI Fund Balance as of June 30, 2015
Alameda						380,240	380,240	(270,586)	2,257	111,912	(268,328)
Amador	\$126,400	26,903	8,000				8,000	(24,837)	207	10,273	10,273
Butte	\$875,200	186,275	15,000				15,000	(143,231)	1,195	59,239	59,239
Calaveras	\$165,200	35,161	2,694				2,694	(26,938)	225	11,141	11,141
Colusa	\$100,000	21,284	11,414				11,414	(23,268)	194	9,624	9,624
Contra Costa	\$3,668,800	780,858					-	(555,672)	4,636	229,821	229,821
El Dorado	\$580,800	123,616					-	(87,967)	734	36,382	36,382
Fresno	\$3,994,000	850,072	455,864				455,864	(929,328)	7,753	384,362	384,362
Glenn	\$108,400	23,072	8,800	12,536	12,536		8,800	(22,680)	189	9,380	9,380
Imperial	\$750,000	159,628					-	(113,594)	948	46,982	46,982
Humboldt	\$502,800	107,015				8,198	8,198	(81,988)	684	33,909	25,711
Imperial			48,915				48,915	(34,809)	290	14,397	14,397
Inyo	\$100,000	22,549					-	(16,047)	134	6,637	6,637
Kern	\$3,423,600	728,670				120,019	120,019	(603,942)	5,039	249,785	129,766
Kings			48,916				48,916	(34,810)	290	14,397	14,397
Lake	\$236,800	50,400	27,028				27,028	(55,099)	460	22,788	22,788
Lassen	\$101,200	22,820					-	(16,239)	135	6,716	6,716
Los Angeles	\$46,713,600	9,942,398					-	(7,075,191)	59,028	2,926,235	2,926,235
Madera	\$649,600	138,259					-	(98,388)	821	40,692	40,692
Marin	\$889,600	189,340	101,536				101,536	(206,993)	1,727	85,610	85,610
Mariposa	\$100,000	22,549	11,414				11,414	(24,169)	202	9,996	9,996
Mendocino	\$328,000	69,811	5,348				5,348	(53,484)	446	22,121	22,121
Merced	\$1,132,800	241,102	40,000				40,000	(200,037)	1,669	82,734	82,734
Modoc	\$100,000	21,284	6,522				6,522	(19,787)	165	8,184	8,184
Mono	\$100,000	22,549					-	(16,047)	134	6,637	6,637
Monterey	\$1,826,400	388,726	208,460				208,460	(424,968)	3,546	175,763	175,763
Napa	\$484,400	109,230	10,551				10,551	(85,238)	711	35,254	35,254
Nevada						5,000	5,000	(3,558)	30	1,472	(3,528)
Orange	\$13,336,800	2,838,569	900,000				900,000	(2,660,433)	22,196	1,100,331	1,100,331
Placer	\$1,096,400	233,355	162,000				162,000	(281,342)	2,347	116,360	116,360
Plumas						20,000	20,000	(14,232)	119	5,886	(14,114)
Riverside	\$8,856,000	1,884,887	482,953				482,953	(1,684,998)	14,058	696,900	696,900
Sacramento	\$5,327,200	1,133,827	460,302				460,302	(1,134,411)	9,464	469,182	469,182
San Benito	\$221,600	131,082					-	(93,280)	778	38,580	38,580
San Bernardino	\$8,615,200	1,833,636	561,894				561,894	(1,704,703)	14,222	705,050	705,050
San Diego	\$13,506,800	2,874,751	650,000				650,000	(2,508,277)	20,927	1,037,401	1,037,401
San Francisco	\$3,020,400	668,341	100,000				100,000	(546,765)	4,562	226,137	226,137
San Joaquin	\$250,000	56,374	174,663				174,663	(164,410)	1,372	67,998	67,998
San Luis Obispo	\$1,032,000	219,648	67,308				67,308	(204,203)	1,704	84,457	84,457
San Mateo	\$2,610,800	555,676				85,139	85,139	(456,015)	3,805	188,604	103,465
Santa Barbara	\$1,808,800	384,980					-	(273,959)	2,286	113,307	113,307
Santa Clara	\$7,707,600	1,640,465	502,699				502,699	(1,525,114)	12,724	630,774	630,774
Santa Cruz	\$1,130,000	240,506					-	(171,149)	1,428	70,786	70,786
Shasta			11,485				11,485	(8,173)	68	3,380	3,380
Siskiyou	\$143,200	30,478	11,675				11,675	(29,997)	250	12,407	12,407
Solano	\$1,604,400	355,015	54,922				54,922	(291,718)	2,434	120,652	120,652
Sonoma	\$1,758,800	374,338	57,356				57,356	(307,201)	2,563	127,056	127,056
Stanislaus	\$2,040,800	434,358	232,931				232,931	(474,855)	3,962	196,396	196,396
Sutter/Yuba	\$600,800	130,408	39,185				39,185	(120,685)	1,007	49,914	49,914
Tulare			31,443	31,443	31,443		31,443	(22,375)	187	9,254	9,254
Tuolumne	\$193,200	43,566	15,751	16,715	16,715		15,751	(42,211)	352	17,458	17,458
Tri Cities	\$817,200	184,274	13,325				13,325	(140,615)	1,173	58,157	58,157
Trinity	\$100,000	21,284	6,522				6,522	(19,787)	165	8,184	8,184
Ventura	\$3,339,200	710,706	55,000				55,000	(544,891)	4,546	225,362	225,362
Yolo	\$832,800	177,251	70,000				70,000	(175,948)	1,468	72,771	72,771
	\$147,007,600	31,441,344	\$5,671,876	\$60,694	\$60,694	\$618,596	\$6,290,472	(26,850,646)	224,015	11,105,185	10,486,589

Note (1) - The GAAP Basis Fund Balance of \$11,105,185 (\$10,486,589 + \$618,596) is \$618,596 more than the Contract Basis of PEI Fund Balance for Cash Basis recognition of Revenue.

Note (2) - The Fund Balance on the Audit includes all programs.

PEI programs	11,105,185
Technical Asst/Capacity Bu	203,448
WET program	148,470
SHB Program	540,030
Feasibility Study	259,566
SDR Conference	(26,578)
Operations	(359,874)
Total Fund Balance	11,870,247

FY 2015	26,850,646.00
FY 2014	60,893,888.46
FY 2013	38,713,297.00
FY 2012	16,674,078.00
FY 2011	1,661,817.00
FY 2010	235,700.00
	<u>145,029,426.46</u>

Agenda Item 3.B.b

SUBJECT: REVIEW OF DRAFT FINANCIAL AUDIT FOR THE YEAR ENDED JUNE 30, 2015

ACTION FOR CONSIDERATION:

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

BACKGROUND AND STATUS:

In accordance with Article 7, Section 7.1 of the Bylaws, which states “the Board shall cause to be made, by a qualified, independent individual or firm, an annual audit of the financial accounts and records of the Authority.”

James Marta & Company has provided a first draft of their audit of CalMHSA’s financial statements for the year ending June 30, 2015 and 2014.

FISCAL IMPACT:

None.

RECOMMENDATION:

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

TYPE OF VOTE REQUIRED:

Majority vote of the Finance Committee.

REFERENCE MATERIAL(S) ATTACHED:

- Draft Financial Audit of Fiscal Year ending June 30, 2015 and 2014

**CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY
FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEARS ENDED
JUNE 30, 2015 AND 2014**



California Mental Health Services Authority

Board of Directors

JUNE 30, 2015

Executive Committee

Maureen F. Bauman, LCSW	President	Placer County
Terence M. Rooney, PhD	Vice President	Colusa County
Michael Kennedy, MFT	Secretary	Sonoma County
Dawan Utecht	Treasurer	Fresno County
Jo Robinson	Bay Area Region	San Francisco County
Vic Singh	Central Region	San Joaquin County
Rita Austin, LCSW	Central Region	Tuolumne County
Marvin J. Southard, DSW	Los Angeles Region	Los Angeles County
Mary Hale	Southern Region	Orange County
CaSonya Thomas, MPA, CHC	Southern Region	San Bernardino County
Alfredo Aguirre, LCSW	Southern Region	San Diego County
Karen Stockton, PhD, MSW	Superior Region	Modoc County
Donnell Ewert, MPH	Superior Region	Shasta County

Board Members

Manuel Jimenez	Alameda County	William J Carter	Napa County
Steven Grolnic-McClurg, LCSW	City of Berkeley	Rebecca Slade, LMFT	Nevada County
Dorian Kittrell	Butte County	Mimi Khin Hall, MPH	Plumas County
Cynthia Belon, LCSW	Contra Costa County	Uma Zykofsky, LCSW	Sacramento County
Barbara Pierson	Del Norte County	Allan Yamamoto, LCSW	San Benito County
Don Ashton	El Dorado County	Anne Robin, LMFT	San Luis Obispo
Amy Lindsey	Glenn County	Stephen Kaplan	San Mateo County
Barbara LaHaie	Humboldt County	Alice Gleghorn, PhD	Santa Barbara County
Michael W. Horn, MFT	Imperial County	Toni Tullys	Santa Clara County
Gail Zweir, PhD	Inyo County	Erik Riera, Med, CAS, MBA	Santa Cruz County
Bill Walker	Kern County	Terry Barber	Siskiyou County
Mary Anne Ford Sherman, MA	Kings County	Halsey Simmons, MFT	Solano County
Linda Morris	Lake County	Madelyn Schlaepfer, PhD	Stanislaus County
Pamela Grosso	Lassen County	Tony Hobson	Sutter-Yuba County
Dennis P. Koch, MPA	Madera County	Antonette "Toni" Navarro	Tri-City Mental Health Center
Suzanne Tavano, PHN, PhD	Marin County	Noel J. O'Neill, MFT	Trinity County
Michael Bishop, LMFT, PhD	Mariposa County	Timothy Durick, PsyD	Tulare County
Stacey Cryer	Mendocino County	Elaine Crandall	Ventura County
Robin Roberts, MFT	Mono County	Karen Larsen	Yolo County
Amie Miller	Monterey County		

California Mental Health Services Authority

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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, 2015 and 2014, and the related notes to the financial statements, which collectively comprise CalMHSA's basic financial statements as listed in the table of contents.

Managements Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of California Mental Health Services Authority as of June 30, 2015 and 2014, 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.

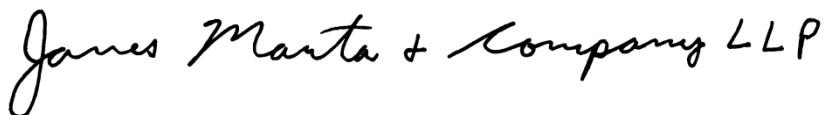
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and Statement of Revenues, Expenditures and Change in Fund Balance – Budget (Non-GAAP) and Actual – General Fund 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 December 4, 2015 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
Certified Public Accountants
Sacramento, California
December 4, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015 AND 2014

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, 2015 and 2014. 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, 2015, 52 members (50 counties, one city and one JPA) work together to develop, fund and implement PEI programs, on a statewide or regional basis that conform with the "Guidelines for PEI Statewide Programs" issued by the Mental Health Services Oversight and Accountability Commission (MHSOAC). Total funding available for the CalMHSA members was \$147 million. Since the development of the initial budget, membership has exceeded management's expectations and is currently at 52 members. As of October 2013, member counties had directed \$147 million (\$160 million is statewide total) to CalMHSA.

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

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015 AND 2014

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. Specifically CalMHSA will, consistent with the requirements of the MHSA and as approved by the MHSOAC and CDMH, develop and implement PEI programs, on a statewide or regional basis that conform with the "Guidelines for PEI Statewide Programs" issued by the MHSOAC and the three State Strategic Plans. This contract has been funded exclusively from funds in the "PEI State-Administered Projects Planning Estimates", now called the "PEI State-Administered Component Allocations", published on September 11, 2008. The term of this contract was April 15, 2010 through June 30, 2014. In January 2011, the MHSOAC approved the CalMHSA PEI Statewide Projects Implementation Work Plan. A total of 25 providers were identified through an RFP process to implement the Work Plan by June 30, 2014.

2014/2015 Program Highlights

Phase I & Phase II – Sustainability

With the end of the four-year period nearing, 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 continues some of the current CalMHSA PEI Statewide Projects existing funds and a winding down of others pursuant to the guidance of stakeholders and Board. Phase I is 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).

Additionally, 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.

7th International "Together Against Stigma" Conference

The 7th International "Together Against Stigma" Conference was held for the first time in the United States in San Francisco February 18-20, 2015 on behalf of CalMHSA, the World Psychiatric Association, the California Institute for Behavioral Health Solutions, and the County Behavioral Health Directors Association of California. The stigma of mental health challenges is not exclusive to any one country or culture. The 7th International Conference: Each Mind Matters brought together over 750 prominent and diverse voices committed to working together to address the stigma people living with mental health challenges are subjected to in other countries and in the United States on a daily basis. Held for the first time in the United States, the gathering hosted experts, researchers, advocates and emerging leaders in mental health advocacy from 17 countries. Three days were packed with thought provoking panels, new research, and inspiring testimony where mental health experts and advocates came together to tackle

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015 AND 2014

challenges, share promising practices and spotlight successes in combating stigma worldwide. Each Mind Matters: California's Mental Health Movement reached a global audience at the conference that spotlighted the innovations and outcomes pioneered by leading mental health partners.

Financial Highlights for the Fiscal Year Ended June 30, 2015

Revenues	\$ 7.2 million	Revenues increased \$5.4 million over the prior year. The rise in revenues was primarily due to funding for Phase I sustainability.
Expenses	\$27.5 million	Expenses decreased \$34.1 million or 55% over the prior year. The budget for current year Phase I sustainability contracts was significantly less than prior year which reflected payments to contractors for final execution of deliverables from the initial PEI programs.
Assets	\$15.0 million	Assets decreased \$30.8 million over the prior year due to payments to contractors made during the year.
Liabilities	\$ 4.6 million	Liabilities decreased \$10.4 million over the prior year. As deliverables were received and contracts were closed out, this resulted in less amounts owed to contractors at year-end.

Description of the Basic Financial Statements

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

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

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

The **Notes to the Financial Statements** provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes describe the nature of CalMHSA's operations and significant accounting policies as well as clarify unique financial information.

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2015 AND 2014

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 2015 and 2014, and a look ahead at economic conditions that may affect CalMHSA in the future.

I. Statement of Net Position

	2015	2014	2013	Change Over Prior Year
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 14,220,664	\$ 875,222	\$ 14,250,192	1525%
Investments - current portion		43,931,766	53,969,429	-100%
Contractor prepayments			368,996	
Accounts receivable	788,380	979,768	580,592	-20%
Total Current Assets	<u>15,009,044</u>	<u>45,786,756</u>	<u>69,169,209</u>	-67%
Investments - Noncurrent			<u>27,449,689</u>	
Total Assets	<u>15,009,044</u>	<u>45,786,756</u>	<u>96,618,898</u>	-67%
LIABILITIES				
Current Liabilities				
Accounts payable	4,481,941	14,992,620	6,041,242	-70%
Deferred revenue	122,345	39,185		212%
WET Program Funding				
Total Current Liabilities	<u>4,604,286</u>	<u>15,031,805</u>	<u>6,041,242</u>	-69%
RESTRICTED NET POSITION	<u>\$ 10,404,758</u>	<u>\$ 30,754,951</u>	<u>\$ 90,577,656</u>	-66%

Cash and cash equivalents increased \$13.3 million, from \$875,222 as of June 30, 2014, to \$14,220,664 as of June 30, 2015. CalMHSA’s investments of \$43.9 million as of June 30, 2014, matured during the year. This resulted in the increase in cash and cash equivalents, highly liquid investments with a maturity of three months or less when purchased.

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015 AND 2014

Total assets decreased by \$30.8 million from \$45.8 million at June 30, 2014 to \$15.0 million at June 30, 2015. The assets were expected to decrease as payments to contractors for final deliverables and production of products were made.

Liabilities decreased \$10.4 million over the prior year. Final deliverables for the initial PEI programs were received and contracts were closed out during the fiscal year ended June 30, 2015. Since payments for these contracts were made during the year, it resulted in less amounts owed to contractors at year-end.

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

	2015	2014	2013	Change Over Prior Year
Operating revenues	\$ 7,095,078	\$ 1,462,874	\$ 754,021	385%
Operating expenses:				
Program expenses	26,200,594	60,500,806	38,241,533	-57%
Indirect expenses	1,336,150	1,089,271	1,150,716	23%
Total operating expenses	<u>27,536,744</u>	<u>61,590,077</u>	<u>39,392,249</u>	-55%
Operating income/(loss)	(20,441,666)	(60,127,203)	(38,638,228)	-66%
Nonoperating income	<u>91,473</u>	<u>304,498</u>	<u>495,555</u>	-70%
Increase/(decrease) in net assets	(20,350,193)	(59,822,705)	(38,142,673)	
Net position, beginning of year	30,754,951	90,577,656	128,720,329	-66%
Net position, end of year	<u>\$ 10,404,758</u>	<u>\$ 30,754,951</u>	<u>\$ 90,577,656</u>	-66%

For the fiscal year ended, June 30, 2015, total revenue (operating and nonoperating) increased by \$5.4 million. Operating revenue increased \$5.6 million over fiscal year 2014 primarily due to new funding for Phase I Sustainability (\$6.3 million), International SDR Conference Registration fees (\$326,663) and an increase in State Hospital Bed funding (increase of \$165,686) offset by a decrease in funding for TTACB (\$668,600).

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015 AND 2014

Operating expenses were \$27.5 million in fiscal year 2015. This was a \$34.1 million or 55% decrease compared to 2014. During the fiscal year 2012, CalMHSA entered into 28 contracts with 28 program partners through June 30, 2014. Expenditures on these contracts for fiscal year 2014 were high as they focused on final execution of deliverables and production of products. The budget for current year Phase I sustainability contracts is significantly less than that of the initial PEI programs.

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

As mentioned earlier, the CalMHSA Board approved a Phase II Funding Plan for the purpose of continuing work related to PEI projects through June 30, 2017. The Plan builds upon the initial statewide PEI investment by bringing three current initiatives (i.e., SP, SDR and SMH) together under one common umbrella – Each Mind Matters. Each Mind Matters will provide a branded comprehensive campaign and recognizable messaging across the state to support a movement in California to promote mental health and wellness and reduce the likelihood of mental illness, substance use and suicide among all Californians. By organizing multiple activities under Each Mind Matters, California can continue to make strides in preventing mental illness, substance use disorders and suicide, improving student mental health, increasing open-mindedness and compassion toward persons experiencing mental health and substance use challenges, and improving health equity by addressing the specific needs of California's diverse ethnic, racial and cultural communities.

The magnitude of this Plan will require a phased approach and diverse sources of funding. The Phase II Plan is designed to support and enhance local PEI work and counties will be expected to make a financial commitment to help reach this financial goal. Significant contributions from county PEI allocations of at least five-percent annually, on average, from each county will be important to meet this financial goal and to demonstrate sufficient commitment on the part of county behavioral health in order to successfully leverage the commitment of partners from other sectors (e.g., primary care, public safety, education, public health). Other funding sources that will need to be considered to raise the balance of the funds are fee-for-service, government and private foundation grants, and federal and non-MHSA state funding streams. It may even be necessary to consider requiring applicants to demonstrate their ability to secure matching funds in order to be competitive in the contract bidding process.

BASIC FINANCIAL STATEMENTS

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

**GOVERNMENTAL FUND BALANCE SHEET -
STATEMENT OF NET POSITION**

JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 14,220,664	\$ 875,222
Investments- Current Portion	-	43,931,766
Receivables	788,380	979,768
Total Current Assets	<u>\$ 15,009,044</u>	<u>\$ 45,786,756</u>
 LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 4,481,941	\$ 14,992,620
Unearned PEI Program funding	122,345	39,185
Total Current Liabilities	<u>4,604,286</u>	<u>15,031,805</u>
 FUND BALANCE / NET POSITION		
Net Postion:		
Restricted		
Tech asst/capacity building	203,448	239,597
Operations	796,788	884,807
PEI funding	5,006,023	29,016,637
WET Program Funding	148,470	148,470
Feasibility Funding	259,561	271,130
SHB Program Funding	540,032	194,310
Phase I Sustainability	3,450,436	-
Total Restricted	<u>10,404,758</u>	<u>30,754,951</u>
 Total Liabilities and Fund Balance/Net Position	<u>\$ 15,009,044</u>	<u>\$ 45,786,756</u>

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, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
REVENUES:		
Technical Assistance/Capacity Building	\$ -	\$ 668,600
PEI Statewide Programs - Planning	-	11,080
PEI Statewide - Program Implementation	-	210,520
SHB Funding	437,943	272,257
Feasibility Study Funding	-	299,167
Sustainability Funding	6,290,472	-
Conference Registration	326,663	-
Donations	40,000	200
Fees	-	1,250
Investment Income	91,473	304,298
Total Revenue	<u>7,186,551</u>	<u>1,767,372</u>
EXPENDITURES/EXPENSES:		
Program Expenses		
SDR Conference	393,238	-
Technical Assistance/Capacity Building	36,149	467,735
SHB Program Funding	92,221	78,027
Feasibility Study Funding	11,569	28,037
Program Expense	22,360,060	56,504,288
Evaluation Expense	2,720,109	3,049,693
Planning Expense	587,248	373,026
Total Program Expense	<u>26,200,594</u>	<u>60,500,806</u>
General and Administration	<u>1,336,150</u>	<u>1,089,271</u>
Total Expenditures/Expenses	<u>27,536,744</u>	<u>61,590,077</u>
Change in Fund Balance/Net Position	(20,350,193)	(59,822,705)
FUND BALANCE/NET POSITION		
Beginning of year	<u>30,754,951</u>	<u>90,577,656</u>
End of year	<u>\$ 10,404,758</u>	<u>\$ 30,754,951</u>

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

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, 2015 and 2014, there were 52 members (50 counties, one city and one JPA).

Admission

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

Withdrawal

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

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

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

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

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.

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

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.

CalMHSA executed a contract with the California Department of Mental Health (CDMH) for an amount not to exceed \$160 million. This contract has been funded exclusively from funds in the "PEI State-Administered Projects Planning Estimates", now called the "PEI State-Administered Component Allocations", published on September 11, 2008. These funds were classified as a voluntary nonexchange transaction and recorded on a modified accrual basis of accounting because CalMHSA operates with one governmental fund. GASB 33 specifies that revenue from voluntary nonexchange transactions accounted for on the modified accrual basis of accounting be recognized in the period when all applicable eligibility requirements have been met and the resources are available. For CalMHSA, revenue was recognized when counties became official members of CalMHSA and when the funding request was received by the CDMH. The term of this contract was April 15, 2010 through June 30, 2014.

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

With the end of the four-year period nearing, 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 continues some of the current CalMHSA PEI Statewide Projects existing funds and a winding down of others pursuant to the guidance of stakeholders and Board. Phase I is 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).

Additionally, 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.

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.

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

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.

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2015 and 2014 consisted of the following:

	2015	2014
Cash in banks	\$ 245,647	\$ 344,039
Money Market Account	1,630	110,839
LAIF	13,973,387	420,344
	<u>\$ 14,220,664</u>	<u>\$ 875,222</u>

Cash in Bank

As of June 30, 2015 and 2014, CalMHSA's balances per the bank of \$436,915 and \$506,716 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, 2015, CalMHSA's had cash in a money fund managed by Morgan Stanley Smith Barney LLC.

Local Agency Investment Fund

CalMHSA places certain funds with the State of California's Local Agency Investment Fund (LAIF). The Authority is a voluntary participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Pooled Money Investment Board. The State Treasurer's Office pools these funds with those of other governmental agencies in the state and invests the cash. These pooled funds are carried at cost, which approximates market value and is reported in the accompanying financial statements based upon the Authority's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio. 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. The monies held in the pooled investment funds are not subject to categorization by risk category. LAIF is currently unrated and has an average maturity of 239 days.

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.

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

3. RECEIVABLES

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

4. CONTRACT SERVICES

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

5. SUBSEQUENT EVENTS

CalMHSA's management evaluated its 2015 financial statements for subsequent events through December 4, 2015, the date the financial statements were available to be issued. Management is not aware of any subsequent events 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, 2015

	Original and Final Budget	Actual	Budget Variance Favorable (Unfavorable)
REVENUES:			
SHB Funding	\$ 450,000	\$ 437,943	\$ (12,057)
Sustainability Funding	12,800,000	6,290,472	(6,509,528)
Conference Registration	-	326,663	326,663
Donations	-	40,000	40,000
Feasibility Study Funding	-	(1,763)	(1,763)
Investment Income	95,000	91,473	(3,527)
Total Revenue	<u>13,345,000</u>	<u>7,184,788</u>	<u>(6,160,212)</u>
EXPENDITURES/EXPENSES:			
Program Expenses			
SDR Conference	-	393,238	(393,238)
Technical Assistance/Capacity Building	-	36,149	(36,149)
SHB Program Funding	450,080	92,221	357,859
Feasibility Study Funding	248,703	9,806	238,897
Program Expenses	40,349,390	22,360,060	17,989,330
Evaluation Expense	2,326,733	2,720,109	(393,376)
Planning Expense	-	587,248	(587,248)
Total Project Expense	<u>43,374,906</u>	<u>26,198,831</u>	<u>17,176,075</u>
General and Administration	<u>3,155,583</u>	<u>1,336,150</u>	<u>1,819,433</u>
Total Expenditures/Expenses	<u>46,530,489</u>	<u>27,534,981</u>	<u>18,995,508</u>
Change in Fund Balance/Net Position	(33,185,489)	(20,350,193)	(25,155,720)
FUND BALANCE/NET POSITION			
Beginning of year	<u>30,754,951</u>	<u>30,754,951</u>	<u>-</u>
End of year	<u>\$ (2,430,538)</u>	<u>\$ 10,404,758</u>	<u>\$ (25,155,720)</u>

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, 2014

	Original and Final Budget	Actual	Budget Variance Favorable (Unfavorable)
REVENUES:			
Technical Assistance/Capacity Building	\$ 473,000	\$ 668,600	\$ 195,600
PEI Statewide Programs - Planning	3,750	11,080	7,330
PEI Statewide - Program Implementation	71,250	210,520	139,270
SHB Funding	-	272,257	272,257
Feasibility Study Funding	-	299,167	299,167
Fees	-	1,250	1,250
Investment Income	642,000	304,498	(337,502)
Total Revenue	<u>1,190,000</u>	<u>1,767,372</u>	<u>577,372</u>
EXPENDITURES/EXPENSES:			
Program Expenses			
Technical Assistance/Capacity Building	515,036	467,735	47,301
WET Program Funding	147,720	-	147,720
SHB Program Funding	-	78,027	(78,027)
Feasibility Study Funding	-	28,037	(28,037)
PEI Statewide Programs	50,062,065	56,504,288	(6,442,223)
Evaluation Expense	4,456,413	3,049,693	1,406,720
Planning Expense	800,000	373,026	426,974
Total Project Expense	<u>55,981,234</u>	<u>60,500,806</u>	<u>(4,519,572)</u>
General and Administration	<u>2,007,500</u>	<u>1,089,271</u>	<u>918,229</u>
Total Expenditures/Expenses	<u>57,988,734</u>	<u>61,590,077</u>	<u>(3,601,343)</u>
Change in Fund Balance/Net Position	(56,798,734)	(59,822,705)	4,178,715
FUND BALANCE/NET POSITION			
Beginning of year	<u>90,577,656</u>	<u>90,577,656</u>	<u>-</u>
End of year	<u>\$ 33,778,922</u>	<u>\$ 30,754,951</u>	<u>\$ 4,178,715</u>

OTHER AUDITOR'S REPORT



James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

**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, 2015 and 2014, 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 December 4, 2015.

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.

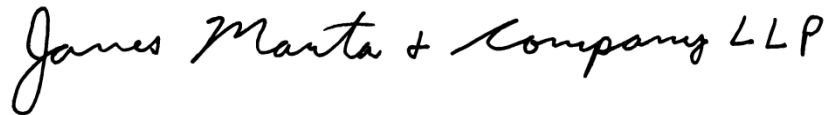
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given 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.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
December 4, 2015

Agenda Item 4

SUBJECT: CASH FLOW MANAGEMENT

ACTION FOR CONSIDERATION:

For Information and discussion.

BACKGROUND AND STATUS:

Historically, CalMHSA has held adequate balances of cash and investments. Cash balances are decreasing as we payout on the contract obligations. After the February cash disbursements, our cash balance is \$11.3 million. Our cash flow projection attached projects cash to be 6.9 million at June 30, 2016. CalMHSA has currently received \$5.4 million for Phase II. Cash Management is now a priority for CalMHSA, therefore becoming a regular item in the agenda.

We received 98.82% of the Phase I LOA funding from counties by December 31, 2015.

As of December 31, 2015, CalMHSA has received 87% of Phase II dollars paid by 88% of the Counties.

We have completed eight months of the fiscal year 2015/2016 and feel there is a need to begin discussions of funding strategies for 2016/2017. CalMHSA has determined the minimum funding for sustainability to be \$6 million.

FISCAL IMPACT:

None.

RECOMMENDATION:

For Information and discussion.

TYPE OF VOTE REQUIRED:

Majority vote.

REFERENCE MATERIAL ATTACHED:

- Cash Balance as of February 29, 2016
- Letters of Acknowledgement Update
- Projected Cash Flow for Fiscal Year 2015/2016

CalMHSA
Cash Balance
As of February 29, 2016

Cash Balance, 6/30/2015	14,215,412.33
Cash Received 07/01/15 to 02/29/2016	8,076,340.56
Cash Payments 07/01/2015 to 02/29/2016	(10,997,515.89)
Cash Balance, 12/31/2015	<u>11,294,237.00</u>

Cash Balance by Institution	
California Bank & Trust	57,074.37
Morgan Stanley Smith Barney	1,470.28
Local Agency Investment Fund	11,235,692.35
Cash Total 02/29/2016	11,294,237.00

County	PHASE II FUNDING FY 15-16 LOA Rcvd & Funding Projected		Date Payment Received	PHASE II Funding Received FY 15-16	FY 16-17 LOA Rcvd & Funding Projected (Phase II)		Date Payment Received	PHASE II Funding Received FY 16-17
	\$	%			\$	%		
Alameda County	\$ 342,215.00	3%	8/27/2015	\$ 342,216.00	\$ 290,883.00	3%		
*Alpine County								
*Amador County								
Butte County	\$ 25,000.00	6%	7/31/2015	\$ 25,000.00				
*Calaveras County								
City of Berkeley								
Colusa County	\$ 11,414.00		8/17/2015	\$ 11,414.00				
Contra Costa County								
Del Norte County								
El Dorado County	\$ 9,471.00	1%			\$ 9,471.00	1%		
Fresno County	\$ 455,864.00	7%	10/20/2015	\$ 455,864.00				
Glenn County	\$ 12,536.00	3%	5/27/2015	\$ 12,536.00	\$ 13,493.00	3%	5/27/2015 \$ 13,493.00	
Humboldt County	\$ 8,198.31				\$ 8,198.31			
Imperial County	\$ 48,915.00	4%	9/10/2015	\$ 48,915.00	\$ 48,915.00	4%		
Inyo County								
Kern County	\$ 120,019.19	2%	9/25/2015	\$ 120,019.19	\$ 120,019.19	2%	9/25/2015 \$ 120,019.19	
Kings County	\$ 48,373.00	5%	7/21/2015	\$ 48,373.00	\$ 48,373.00	5%		
Lake County								
Lassen County								
Los Angeles County								
Madera County	\$ 15,200.00	2%	7/23/2015	\$ 12,200	\$ 15,000.00	2%		
Marin County	\$ 75,000.00	5%	11/10/2015	\$ 75,000.00	\$ 75,000.00	5%		
Mariposa County								
Mendocino County	\$ 7,180.00	1%	9/10/2015	\$ 7,180.00	\$ 8,625.00	1%		
*Merced County								
Modoc County	\$ 6,522.00	4%	9/28/2015	\$ 6,522.00	\$ 6,522.00	4%		
Mono County								
Monterey County	\$ 252,000.00	7%	8/10/2015	\$ 252,000.00	\$ 252,000.00	7%		
Napa County	\$ 9,391.00	1%	9/14/2015	\$ 9,391.00	\$ 10,471.00	1%		
Nevada County	\$ 5,000.00	1%	10/14/2015	\$ 5,000.00	\$ 5,000.00	1%		
Orange County	\$ 900,000.00	4%	10/27/2015	\$ 900,000.00	\$ 900,000.00	4%		
Placer County	\$ 162,000.00	6%	8/20/2015	\$ 162,000.00	\$ 162,000.00	6%		
*Plumas County	\$ 25,000.00	6%	10/5/2015	\$ 25,000.00	\$ 25,000.00			
Riverside County	\$ 516,058.00	4%	8/11/2015	\$ 516,058.00	\$ 526,379.00	4%		
Sacramento County	\$ 342,486.00	3%	7/21/2015	\$ 342,486.00				
San Benito County	\$ 25,000.00	5%	11/4/2015	\$ 25,000.00				
San Bernardino County	\$ 561,894.00	4%	9/22/2015	\$ 561,894.00	\$ 561,894.00	4%		
San Diego County	\$ 650,000.00	3%	11/4/2015	\$ 650,000.00				
San Francisco City And County	\$ 100,000.00	2%	7/15/2015	\$ 100,000.00	\$ 100,000.00	2%		
San Joaquin County	\$ 174,662.54	4%	1/14/2016	\$ 174,662.54	\$ 174,662.54	4%		
San Luis Obispo County	\$ 67,308.00	4%			\$ 67,308.00	4%		
San Mateo County	\$ 90,508.00	2%	10/06/2015	\$ 90,508.00	\$ 95,965.00	2%		
Santa Barbara County								
Santa Clara County	\$ 550,000.00	4%						
Santa Cruz County								
Shasta County	\$ 11,485.00	1%	10/12/2015	\$ 11,485.00	\$ 11,485.00	1%		
*Sierra County								
Siskiyou County								
Solano County	\$ 53,930.00	2%	8/11/2015	\$ 53,930.00	\$ 60,611.00	2%		
Sonoma County	\$ 109,000.00	4%	9/1/2015	\$ 109,000.00				
Stanislaus County	\$ 90,000.00	1%	10/27/2015	\$ 90,000.00				
Sutter/Yuba County	\$ 39,185.00	4%	9/28/2015	\$ 39,185.00	\$ 39,185.00	4%	2/9/2016 \$ 39,185.00	
*Tehama County								
Tri-City Mental Health Center	\$ 14,852.00	1%	9/23/2015	\$ 7,426.00	\$ 15,181.00	1%		
Trinity County	\$ 10,000.00	4%	10/2/2015	\$ 10,000.00	\$ 10,000.00	4%		
Tulare County	\$ 31,443.17	1%	4/27/2015	\$ 31,443.17	\$ 31,443.17	1%	4/24/2015 \$ 31,443.17	
Tuolumne County	\$ 16,715.00	5%	5/20/2015	\$ 16,715.00	\$ 16,715.00	5%	5/20/2015 \$ 16,715.00	
Ventura County	\$ 52,500.00	1%	11/9/2015	\$ 52,500.00	\$ 53,500.00	1%		
Yolo County	\$ 35,000.00	2.2%			\$ 35,000.00	2.2%		
TOTAL	\$ 6,081,325.21	3%		\$ 5,400,922.90	\$ 3,798,299.21	3%	\$ 220,855.36	
Balance Due				\$ 680,402.31			\$ 3,577,443.85	

KEYS

BLUE = PHASE I FY 14-15

GREEN = PHASE II FY 15-16

PURPLE = PHASE II FY 16-17

ORANGE = HAS IDENTIFIED FUNDING FOR SPECIFIC PROGRAM

RED = VERBAL COMMITMENT

California Mental Health Services Authority
Projected Cash Flow
As of February 29, 2016

	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Totals
Beginning Cash Balance	14,945,895	14,233,959	14,762,506	14,884,056	14,189,713	13,164,503	11,294,237	10,176,846	9,093,791	8,004,225	14,945,895
Cash Receipts:											
Phase I - Sustainability	128,218	121,605									249,823
Phase II - Sustainability	909,532	1,587,857	802,500		174,663		138,608	138,608	138,608	138,608	4,028,983
Phase III - Sustainability	120,019					39,185					159,204
Suicide Prevention Hotline	55,000										55,000
State Hospital Beds	7,010	104,449	4,206	11,216		5,608	168,941	203,930	203,930	203,930	913,219
SD3 - Feasibility Study							6,641	6,641			13,281
Application Fees	500			250							750
Other		11,659	4,678	9,000	13,380	20,100					58,816
Total Cash Receipts	1,220,279	1,825,570	811,384	20,466	188,042	64,893	314,189	349,178	342,537	342,537	5,479,075
Cash Expenses:											
PEI/Phase I Obligations 2014/15	1,488,858	956,445	249,585	229,859	509,819	1,151,223	231,814	231,814	231,814	231,814	5,513,046
Phase II Board Approved Funding 2015/16	123,600	56,227	116,423	249,301	389,325	538,947	774,912	774,912	774,912	774,912	4,573,471
Suicide Prevention Hotline	85,948	35,398		37,079	66,230	39,039	51,473	51,473	51,473	51,473	469,588
Plumas Wellness Center			95,000		8,800	142	41,500	41,500	41,500	41,500	269,942
Community Response Plan						1,500					1,500
TTACB Contract	176				6,336		22,698	22,698	22,698	22,698	97,302
State Hospital Beds					22,067	72	78,843	78,843	78,843	78,843	337,511
Short Doyle Fiscal Pilot	20,000	2,975	2,975		1,488		36,618	36,618	36,618	36,618	173,909
Administrative Expenses	213,633	245,978	225,851	198,569	209,188	204,237	193,722	194,374	194,244	194,270	2,074,066
Total Cash Expenses	1,932,215	1,297,023	689,834	714,809	1,213,252	1,935,159	1,431,581	1,432,233	1,432,103	1,432,129	13,510,337
Ending Cash Balance	14,233,959	14,762,506	14,884,056	14,189,713	13,164,503	11,294,237	10,176,846	9,093,791	8,004,225	6,914,634	6,914,634

California Mental Health Services Authority
Projected Cash Flow
As of December 31, 2015

	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Totals
Beginning Cash Balance	14,945,895	14,233,959	14,762,506	14,884,056	14,178,474	13,075,356	11,973,738	10,865,479	9,491,837	8,118,194	14,945,895
Cash Receipts:											
Phase I - Sustainability	128,218	121,605									249,823
Phase II - Sustainability	909,532	1,587,857	802,500		146,516	146,516	146,516	146,516	146,516	146,516	4,178,982
Phase III - Sustainability	120,019										120,019
Suicide Prevention Hotline	55,000										55,000
State Hospital Beds	7,010	104,449	4,206		265,384	265,384	265,384				911,817
SD3 - Feasibility Study					6,641	6,641					13,281
Application Fees	500			250							750
Other		11,659	4,678	9,000							25,336
Total Cash Receipts	1,220,279	1,825,570	811,384	9,250	418,540	418,540	411,900	146,516	146,516	146,516	5,555,008
Cash Expenses:											
PEI/Phase I Obligations 2014/15	1,488,858	956,445	249,585	229,859	303,229	303,229	303,229	303,229	303,229	303,229	4,744,118
Phase II Board Approved Funding 2015/16	123,600	56,227	116,423	249,301	763,658	763,658	763,658	763,658	763,658	763,658	5,127,502
Suicide Prevention Hotline	85,948	35,398		37,079	62,512	62,512	62,512	62,512	62,512	62,512	533,496
Plumas Wellness Center			95,000		41,500	41,500	41,500	41,500	41,500	41,500	344,000
TTACB Contract	176				19,971	19,971	19,971	19,971	19,971	19,971	120,000
State Hospital Beds					73,070	73,070	73,070	73,070	73,070	73,070	438,422
Short Doyle Fiscal Pilot	20,000	2,975	2,975		30,763	30,763	30,763	30,763	30,763	30,763	210,527
Administrative Expenses	213,633	245,978	225,851	198,592	226,956	225,456	225,456	225,456	225,456	225,456	2,238,288
Total Cash Expenses	1,932,215	1,297,023	689,834	714,832	1,521,658	1,520,158	1,520,158	1,520,158	1,520,158	1,520,158	13,756,352
Ending Cash Balance	14,233,959	14,762,506	14,884,056	14,178,474	13,075,356	11,973,738	10,865,479	9,491,837	8,118,194	6,744,551	6,744,551

Agenda Item 5

SUBJECT: CalMHSa Fiscal Year 2016/17 Budget Projection and Timeline

BACKGROUND AND STATUS:

The CalMHSa Bylaws provide for a fiscal year of July 1 to June 30, and require the Board of Directors to adopt the annual budget by July 1 of the new fiscal year. The draft budget is to be presented to the Board at least 45 days prior. (Bylaws, §§ 4.1.3, 8.1, and 9.1.)

To begin development of the annual budget for fiscal year 2016/17, below is a summary of potential funding scenarios. These scenarios are possibilities based on current efforts, and are not certain.

Ms. Kim Santin, CalMHSa Finance Director, and Ms. Ann Collentine, CalMHSa Program Director, will provide an oral overview of the potential funding scenarios for discussion.

Potential Funding Scenarios:

1. Letters of Acknowledgement – Funding is anticipated to be same as last year, approximately \$6 million. However, in the current fiscal year CalMHSa had some carry over funds to utilize for program contracts. This will mostly likely not occur in next fiscal year, and therefore will necessitate reduction in program contracts for 2016/2017 by approximately 25% (to approximately \$4.5 million). Current contracts for 2016/2017 are approximately \$5.8 million and would need to be reduced according to contracts terms. This does not include some activities that were only funded in contracts for fiscal year 2015/16 (e.g. Directing Change) and additional Phase II activities.
2. 1% Distribution Formula – Estimated funding is \$18 million. This budget scenario will have to consider cash inflow for this distribution (annual, quarterly, or monthly). Current program funding could continue with potential increased funding for programs such as Directing Change and Phase II additional activities. Expected allocation of expenditures will be:
 - 85% Program Contracts and Evaluation (\$15.3 million)
 - Up to 15% Program Management and General Administration (up to \$2.7 million)
3. None of the Above – Letters of Acknowledgement are not forthcoming by July and 1% Distribution does not progress. For additional consideration is the risk of other on-going CalMHSa projects (i.e. State Hospital Services, Fiscal Modernization, Drug MediCal) due to lack of infrastructure provided by PEI Statewide projects.

RECOMMENDATION:

None, information only.

REFERENCE MATERIALS ATTACHED:

- None

Agenda Item 6

SUBJECT: CALMHSA FINANCIAL STATEMENT FOR THE QUARTER ENDING DECEMBER 31, 2015

ACTION FOR CONSIDERATION:

Approval of the CalMHSA Financial Statement for the Quarter ending December 31, 2015 for presentation at the next scheduled Board of Directors Meeting.

BACKGROUND AND STATUS:

The Finance Committee will review and discuss the financial statement for the quarter ending December 31, 2015. Upon committee approval, the financial statement will be presented at the next Board of Directors Meeting.

Some key items are noted in the financial statement cover memo.

FISCAL IMPACT:

None.

RECOMMENDATION:

Approval of the CalMHSA Financial Statement for the Quarter ending December 31, 2015 for presentation at the next scheduled Board of Directors Meeting.

TYPE OF VOTE REQUIRED:

Majority vote of the Finance Committee.

REFERENCE MATERIALS ATTACHED:

- CalMHSA Financial Statement Quarter Ending December 31, 2015

**SUMMARY OF SIGNIFICANT CHANGES IN FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED DECEMBER 31, 2015**

BALANCE SHEET:

Cash and Cash Equivalents – The total cash balance as of December 31, 2015 is \$14.2 million. Although income from operations was \$1.0 million and expenses were \$2.5 million for the quarter, the decrease of \$92 thousand in accounts payable and decrease of \$1.6 million in accounts receivable resulted in the cash balance remaining flat when compared to September 30, 2015.

Receivables – The balance in accounts receivable as of December 31, 2015, is \$1.7 million. The categories with the most significant balances are as follows:

• Phase II Sustainability Funding	\$ 729,094
• State Hospital Beds Program	<u>786,338</u>
	\$1,515,432

Accounts Payable – The balance in accounts payable as of December 31, 2015, is \$1.1 million. The payables are primarily for payments to program partners. The vendors with the most significant balances are as follows:

• Active Minds, Inc.	\$ 90,078
• Runyon Saltzman & Einhorn, Inc.	186,397
• RAND	<u>509,169</u>
	\$ 785,644

Deferred Revenue – The balance of deferred revenue as of December 31, 2015, is \$181,670. This represents monies received from member counties for 2016/2017 Phase III Sustainability funding and will be recognized as revenue in 2016/2017.

STATEMENT OF REVENUE AND CHANGES IN NET ASSETS:

Operating Revenue – Total revenue for the six months ended December 31, 2015 was \$8,512,676 consisting of revenue for Phase II Sustainability, Wellness Center, Suicide Prevention Program, the Community Response Plan and the State Hospital Beds Program.

Expenses – Overall expenses for the six months ended December 31, 2015 were \$4.4 million. The expenses for these six months consisted mainly of contract expenses for the Statewide Program (Phase I and Phase II.)

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

**UNAUDITED
BALANCE SHEET**

	<u>December 31, 2015</u>	<u>June 30, 2015</u>
ASSETS		
Current Assets:		
Cash & Cash Equivalents	\$ 14,189,713	\$ 14,220,664
Investments - Current Portion		
Contractor Prepayments	60,000	
Receivables:		
State Hospital Bed Funds	786,338	23,834
Feasibility Study	13,281	14,953
Phase I Sustainability		618,597
Phase II Sustainability	729,094	
Application Fees		500
SDR Conference Registration Fees		116,378
Other	20,000	4,600
Interest	13,380	9,519
Total Current Assets	<u>15,811,806</u>	<u>15,009,044</u>
Noncurrent Assets:		
Investments		
Total Assets	<u>\$ 15,811,806</u>	<u>\$ 15,009,044</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 1,070,688	\$ 4,365,602
Program Partner Holdbacks		116,339
Deferred Revenue	181,670	122,345
Total Current Liabilities	<u>1,252,358</u>	<u>4,604,287</u>
Net Assets:		
Operations	822,256	823,361
International SDR Conference	(46,999)	(26,578)
Tech Asst/Capacity Building	203,272	203,448
WET Program Funding	148,470	148,470
Feasibility Study	217,177	259,566
SHB Program Funding	1,380,068	540,030
Wellness Center	811,200	
Suicide Prevention Hotline	402,986	
Community Response Plan	29,000	
Statewide Project	10,592,017	8,456,460
Total Net Assets	<u>14,559,447</u>	<u>10,404,757</u>
Total Liabilities and Net Assets	<u>\$ 15,811,806</u>	<u>\$ 15,009,044</u>

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

UNAUDITED
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS

For The Six Months Ended December 31, 2015

	Operations	International SDR Conference	Tech Asst/ Capacity Building	WET Program Funding	Feasibility Study Funding	SHB Program Funding	Wellness Center Funding	Suicide Prevention Hotline	Community Response Plan	Statewide Program	December 2015 Total	June 2015 Total
OPERATING REVENUES:												
SHB Funding						\$ 889,385					889,385	437,941
Feasibility Study Funding											-	(1,762)
Sustainability Funding										\$ 5,986,820	5,986,820	6,290,473
Conference Registration		(20,421)									(20,421)	326,663
Donations											-	40,000
Wellness Center Funding							1,000,000				1,000,000	-
Suicide Prevention Hotline Funding								627,642			627,642	-
Application Fee	250										250	-
Community Response Plan									29,000		29,000	-
Total Operating Revenue	250	(20,421)	-	-	-	889,385	1,000,000	627,642	29,000	5,986,820	8,512,676	7,093,315
PROGRAM EXPENSES:												
SDR Conference											-	393,241
Wellness Center							188,800				188,800	-
Suicide Prevention Hotline								224,656			224,656	-
Community Response Plan											-	-
Technical Assistance/Capacity Building											-	-
Program Contract											-	35,533
Other Contract Services			176								176	616
SHB Program Funding:												
Program Mgmt. & Oversight						44,134					44,134	76,560
Other Contract Services											-	2,910
Legal						167					167	5,735
Meeting and Other						5,046					5,046	7,016
Feasibility Study Funding												
Program Contract					13,464						13,464	-
Program Mgmt. & Oversight					28,925						28,925	4,664
Other Contract Services											-	5,132
Meeting and Other											-	10
Statewide Program Funding:												
Program Expense:												
Program Contract										1,807,939	1,807,939	21,643,270
Program Mgmt. & Oversight										858,016	858,016	642,691
Other Contract Services										16,275	16,275	10,500
Legal										56	56	9,944
Meeting and Other										35,739	35,739	53,654
Evaluation Expense:												
Program Contract										831,186	831,186	2,643,036
Program Mgmt. & Oversight										53,643	53,643	76,973
Meeting and Other										-	-	100
Planning Expense:												
Program Mgmt. & Oversight										-	-	231,607
Other Contract Services										5,078	5,078	233,894
Legal										-	-	5,817
Dissemination Materials										-	-	80,544
Meeting and Other										676	676	35,381
Total Program Expense	-	-	176	-	42,389	49,347	188,800	224,656	-	3,608,608	4,113,976	26,198,828
INDIRECT EXPENSES:												
General Management										161,204	161,204	1,040,424
Other Contract Services	175									14,161	14,336	28,891
Legal Services	9,809									2,146	11,955	53,762
Insurance										29,203	29,203	31,431
Investment Management Fees	259									-	259	37,098
Financial Audit										-	-	-
Dissemination Materials										33,772	33,772	600
Meeting and Other	10,898									2,169	13,067	143,946
Total General And Administrative	21,141	-	-	-	-	-	-	-	-	242,655	263,796	1,336,152
Total Expenses	21,141	-	176	-	42,389	49,347	188,800	224,656	-	3,851,263	4,377,772	27,534,980
Income/(Loss) from Operations	(20,891)	(20,421)	(176)	-	(42,389)	840,038	811,200	402,986	29,000	2,135,557	4,134,904	(20,441,665)
NONOPERATING INCOME:												
Investment Income	25,038										25,038	261,113
Change in Investment Value	(5,252)										(5,252)	(169,640)
Total Nonoperating Income	19,786										19,786	91,473
Change in Net Assets	(1,105)	(20,421)	(176)	-	(42,389)	840,038	811,200	402,986	29,000	2,135,557	4,154,690	(20,350,192)
Beginning Net Assets	823,361	(26,578)	203,448	148,470	259,566	540,030	-	-	-	8,456,460	10,404,757	30,754,949
Ending Net Assets	\$ 822,256	\$ (46,999)	\$ 203,272	\$ 148,470	\$ 217,177	\$ 1,380,068	\$ 811,200	\$ 402,986	\$ 29,000	\$ 10,592,017	\$ 14,559,447	\$ 10,404,757

Agenda Item 7

SUBJECT: STATE HOSPITAL BED PROGRAM UPDATE

ACTION FOR CONSIDERATION:

None, information only.

BACKGROUND AND STATUS:

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

Memorandum of Understanding (MOU):

For the past three fiscal years CalMHSA, in collaboration with counties, has negotiated the terms of the MOU for procurement of state hospital beds, which has attributed to significant benefits to all counties procuring beds.

Due to the FY 14/15 & FY 15/16 MOU being recently finalized and in process of being executed by all counties, staff has requested the DSH commence discussions on the new draft of the FY 16/17 MOU as it is imperative these are approved and executed early on in the process versus at the end of the term. DSH has implied there is not enough time to draft and approve language on a new MOU to become effective on July 1, 2016; therefore, recommended an Amendment to the MOU be issued that extends the term for an additional year. This extension would allow all parties a reasonable amount of time to review and modify the MOU, as deemed appropriate, for the upcoming year(s). Staff will be communicating with counties to determine whether this is an option they would like to consider.

Alternative to State Hospital Beds:

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

Southern California Efforts – Since then, CalMHSA staff and CCS have had the opportunity to meet with Los Angeles County to look at potential sites and is currently working on scheduling a meeting with Riverside County to obtain their support in assessing the viability of four potential sites.

Northern California Efforts – CalMHSA and CCS have performed three site visits within Fresno County and are in preliminary discussions regarding viability of some sites within Monterey County.

Commitment – In light of the work being done with CCS for state hospital type services, it will be necessary to have critical conversations with counties as to the level of financial commitment required in order to secure alternatives to state hospital beds. Counties are encouraged to initiate internal/local discussions related to the need and demand, followed by the level of commitment. Staff is prepared to partake in these discussions as deemed appropriate.

Meeting(s):

CalMHSA has requested a meeting with DSH in an effort to get a status update on current activities, new MOU, and defining next steps for the development of an enhanced patient placement plan, amongst other items.

Program Cost Benefit(s):

Given the work that has been done by the committee and staff, at the direction of the CalMHSA Board of Directors in 2012, it has been projected a \$20 million cost savings to counties between FY 13/14 to date.

Contributions for the projected cost savings are as follows:

1. Freezing of Rates (*approx. \$6 million cost savings*) – Acknowledging the DSH was unable to provide counties with “actual cost accounting” for each hospital, as required by statute, it was agreed the DSH would freeze the rates until such time they are able to comply with the statute. It was estimated that every year DSH would impose a 3% rate increase.
2. Blended Rate (*approx. \$2 million cost savings*) - Moved from a three rate structure (Acute \$646, ICF \$617, SNF \$775), to a two rate (Acute/ICF \$626, SNF \$775 (blended rate)).
3. Billing Based on Actual Usage (*approx. \$12 million cost savings*) - Moved from a commitment based billing to actual use; therefore, counties are no longer paying for beds not used.

FISCAL IMPACT:

None.

RECOMMENDATION:

None, information only.

TYPE OF VOTE REQUIRED:

None, information only.

REFERENCE MATERIAL(S) ATTACHED:

- State Hospital Bed Program – Payments Received

CalMHSA State Hospital Bed Program - Participation and Payments Received

STATUS OF DOCUMENTS					PAYMENTS RECEIVED TO DATE										
Counties	# of Beds (based on FY 13-14 Exhibit 3)	FY 13-14 MOU	PA	Contracting Directly w/DSH	Planning and Development FY 12-13	PAID	Planning and Development FY 13-14	PAID	Prorated Operation Cost FY 13-14	PAID	Annual Operation Costs FY 14-15	PAID	Annual Operation Costs FY 15-16	PAID	TOTAL
COUNTIES PROCURING BEDS															
*Alameda	21			✓					14,721.00		29,442.00		\$ 29,442.00		
*Contra Costa	21	✓							14,721.00		29,442.00		\$ 29,442.00		
*El Dorado	1			✓					1,402.00		1,402.00		\$ 1,402.00		
Fresno	2	✓	✓		284.26	✓	155.00	✓	701.00	✓	1,402.00		\$ 1,402.00	✓	2,542.26
Humboldt	1			✓									\$ 1,402.00		
*Imperial	3			✓					2,103.00		4,206.00		\$ 4,206.00		
Kern	3		✓		2,274.08	✓	1,238.00	✓	5,608.00	✓	11,216.00	✓	\$ 11,216.00		20,336.08
Kings	0				284.26	✓	155.00	✓	701.00	✓	1,402.00	✓	\$ 1,402.00	✓	3,944.26
Los Angeles	190	✓	✓		56,000.00	✓	30,496.00	✓	138,097.00	✓	269,000.00	✓	\$ 269,000.00		493,593.00
Madera	0.25	✓	✓		284.26	✓	155.00	✓	701.00	✓	1,402.00	✓	\$ 1,402.00	✓	2,542.26
Marin	4	✓			1,137.04	✓	619.00	✓	2,804.00	✓	5,608.00	✓	\$ 5,608.00	✓	15,776.04
Modoc	1			✓									\$ 1,402.00		
Monterey	4				1,137.04	✓	619.00	✓	2,804.00	✓	5,608.00	✓	\$ 5,608.00		15,776.04
Napa	4	✓	✓		852.78	✓	619.00	✓	2,103.00	✓	4,206.00	✓	\$ 4,206.00	✓	7,780.78
Orange	12	✓	✓		4,832.42	✓	2,632.00	✓	11,917.00	✓	23,834.00	✓	\$ 23,834.00	✓	67,049.42
Placer	1	✓	✓		852.78	✓	464.00	✓	2,103.00	✓	4,206.00	✓	\$ 4,206.00	✓	11,831.78
Riverside	12	✓	✓		5,400.94	✓	2,941.00	✓	13,319.00	✓	26,638.00	✓	\$ 26,638.00		48,298.94
Sacramento	19	✓	✓		5,116.68	✓	2,786.00	✓	12,618.00	✓	25,236.00	✓	\$ 25,236.00	✓	70,992.68
San Bernardino	10			✓	3,409.92	✓	1,858.00	✓	8,412.00	✓	16,824.00	✓	\$ 16,824.00		13,679.92
San Diego	12				4,548.16	✓	2,477.00	✓	11,216.00	✓	22,432.00	✓	\$ 22,432.00	✓	63,105.16
*San Francisco	41			✓					28,741.00	✓	57,482.00	✓	\$ 57,482.00	✓	143,705.00
San Joaquin	3	✓			852.78	✓	464.00	✓	2,103.00	✓	4,206.00	✓	\$ 4,206.00		7,625.78
San Luis Obispo	1	✓											\$ 1,402.00		
San Mateo	5	✓							3,505.00	✓	7,010.00	✓	\$ 7,010.00	✓	17,525.00
Santa Barbara	1	✓	✓	✓							1,402.00	✓	\$ 1,402.00		1,402.00
*Santa Clara	37	✓		✓					25,937.00		51,874.00		\$ 51,874.00		
Santa Cruz	1	✓	✓		284.26	✓	155.00	✓	935.00	✓	1,402.00	✓	\$ 1,402.00	✓	4,178.26
Solano	3	✓			852.78	✓	464.00	✓	2,103.00	✓	4,206.00		\$ 4,206.00		3,419.78
*Sonoma	1			✓					701.00		1,402.00		\$ 1,402.00		
Stanislaus	3	✓			852.78	✓	464.00	✓	2,103.00	✓	4,206.00	✓	\$ 4,206.00	✓	11,831.78
Tulare	3	✓			1,705.50	✓	929.00	✓	4,206.00	✓	4,206.00	✓	\$ 4,206.00		11,046.50
*Ventura	1	✓		✓					701.00		1,402.00		\$ 1,402.00		
Yolo	1	✓		✓									\$ 1,402.00		
TOTAL					90,962.72		49,690.00		302,365.00		622,304.00		\$ 627,912.00		
COLLECTED					90,962.72		49,690.00		256,800.00		480,702.00		\$ 161,230.00		
BALANCE TO BE COLLECTED					0.00		0.00		45,565.00		141,602.00		\$ 466,682.00		
COUNTIES NOT CURRENTLY PROCURING BEDS															
Alpine															
Amador															
Butte	1												\$ 1,402.00		
Calaveras															
City of Berkely															
Colusa															
Del Norte															
Glenn															
Inyo			✓												
Lake					OPT OUT		OPT OUT								
Lassen															
Mariposa															
Mendocino					284.26	✓	155.00	✓	OPT OUT		OPT OUT		OPT OUT		439.26
Merced															
Mono															
Nevada															
Plumas															
San Benito															
Shasta		✓													
Sierra															
Siskiyou															
Sutter/Yuba															
Tehama															
Tri-City															
Trinity															
Tuolumne		✓													

NOTE: * Although these counties initially opted not to participate in the SHB Program, they have benefited from the negotiations to date. That said, these counties have yet to be invoiced for FY 13-14, FY 14-15 or FY 15-16, but staff expects to do so within the next 15 days.

Agenda Item 8

SUBJECT: CALMHSA FINANCIAL AUDIT ENGAGEMENT

ACTION FOR CONSIDERATION:

None, information only.

BACKGROUND AND STATUS:

In late 2010 at board direction, staff engaged James Marta & Company to carry-out a biennial audit for the two-year period ending June 30, 2011 in accordance with Article 7, Section 7.1 of the Bylaws, which states “the Board shall cause to be made, by a qualified, independent individual or firm, an annual audit of the financial accounts and records of the Authority.” On February 10, 2012, the CalMHSA Board of Directors, upon the Finance Ad Hoc Committee’s in-depth review and subsequent recommendation, received and filed the CalMHSA Financial Audit for the Fiscal Years Ended June 30, 2011 and 2010. Upon close of the fiscal year ending June 30, 2012, the Board approved James Marta & Company to carry-out audits for the years ending June 30, 2012, 2013 and June 30, 2014.

At the March 2015 Finance Committee meeting, a recommendation to extend the agreement for one year, audit of the year ended June 30, 2015. The committee requested to hold discussions to continue with James Marta and Company for the audit for the year ended June 30, 2016.

FISCAL IMPACT

None.

RECOMMENDATION:

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

REFERENCE MATERIALS ATTACHED:

- CalMHSA Financial Audit Engagement Letter



James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

January 9, 2015

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

Re: California Mental Health Services Authority

Dear Board of Directors

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

I. SCOPE OF WORK

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

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

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

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

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

The Objective of an Audit

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

General Audit Procedures

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS) *and in accordance with Government Auditing Standards*, and the State Controller's *Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting

estimates made by management, as well as evaluating the overall presentation of the financial statements.

Internal Control Audit Procedures

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

In making our risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.

Compliance with Laws and Regulations

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

Management Responsibilities

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

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

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

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

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

Reporting

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

We also will issue a written report on Internal Control over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standard upon completion of our audit.

Other

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

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

Provisions of Engagement Administration, Timing and Fees

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

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

Fees

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

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

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

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

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

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

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

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

Mediation Provision

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

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

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

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

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

Respectfully,

Sincerely,



James P. Marta CPA ARM

Principal
James Marta & Company LLP
Certified Public Accountants

RESPONSE:

This letter correctly sets forth our understanding.

Acknowledged and agreed on behalf of

California Mental Health Services Authority

Approved by: _____

Title: _____

Date: _____

Agenda Item 9

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:

- Strategic Development of 2016/2017 Revenue
- Drug Medi-Cal – Status
- Financial Modernization Pilot Program – Status
- Private Sector Feasibility Study
- Other Financial Matters

FISCAL IMPACT:

None.

RECOMMENDATION:

None, Information only.

TYPE OF VOTE REQUIRED:

Majority vote.

REFERENCE MATERIAL(S) ATTACHED:

- Financial Modernization Pilot Program

SUBJECT: Short Doyle Modernization (SDM) Project

BACKGROUND AND STATUS:

The Department of Health Care Services (DHCS) has indicated the need to explore options to transition from Short-Doyle 2 to a new billing system. In response, the County Behavioral Health Directors Association of California (CBHDA) Financial Services and Information Technology (IT) Committee members and staff proposed a migration from the state-operated Short-Doyle 2 system to HIPAA-compliant, county-based encounter data systems that use certified vendors/systems to collect and store encounter information locally. This solution is intended to simplify the federal reimbursement process for the state and counties, and allow counties and their vendors to fully implement the federal information coding and exchange requirements. Since the Short Doyle Modernization (SDM) project began in 2013, the scope has changed from solely an information technology project to a project that is inclusive of fiscal and delivery system considerations.

PROJECT UPDATES:

1. Short Doyle 2 Enhancement Project

Survey responses from county behavioral health staff will inform any potential county-funded enhancements to Short Doyle 2, with a goal of maximizing available state and county resources. CalMHSA, CBHDA and DHCS staff completed an extensive review process of each potential area for enhancement to understand DHCS priorities and mandates in these priority areas. Counties will consider whether to fund system improvements that are consistent with the goals of decreasing denied Medi-Cal claims and improving the timeliness and accuracy of Medi-Cal billing.

2. Fiscal and Delivery System Pilot Study

CBHDA, CalMHSA and DHCS staff have worked together to define and operationalize the Fiscal and Delivery System Pilot Study that was approved as part of the Short Doyle Modernization Project Charter. DHCS representatives have indicated an interest in reviewing a proposal from the counties related to improving the timeliness and accuracy of federal reimbursement to the Mental Health Plans. DHCS leadership has also historically indicated that the Medi-Cal Specialty Mental Health system could benefit from moving from the current non-risk fee for service system to an at risk federal payment structure under the 1915(b) waiver.

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. Phase 1a of the pilot study will identify and analyze the intersection of Medi-Cal beneficiary characteristics, treatment design, and charge and cost variables consistent with the goals of improved care and cost effectiveness.

CalMHSA has entered into a contract with Harbage Consulting in order to implement Phase 1a of the Pilot Study and work commenced on June 1, 2015. The pilot study is anticipated to take 8-10 months to complete, after which the results will be available for county review and discussion and shared through a stakeholder process. Participating Pilot counties (Fresno, Riverside, Santa Clara, Shasta, Sonoma, Sutter-Yuba) have been very engaged and responsive. Data collection and analysis are underway.

Phase 1b of the project will be conducted subject to the availability of funds and at the direction of county members based on the results of the pilot. The goal of this phase, if conducted, is to further analyze and refine the county pilot findings and implications from a risks and benefits perspective to assist the counties in the development of a proposal for presentation to DHCS.

3. Long Range Medicaid Information Technology Architecture (MITA) Planning.

State MITA planning efforts are currently focused on modernization of the state's Medi-Cal eligibility determination system (MEDs). DHCS staff provide regular updates to the CBHDA Information Technology Committee. If the draft MITA plan is approved by CMS, there will be opportunities for counties to participate in the stakeholder process.

NEXT STEPS:

1. Continue to work with members to collect contributions to support implementation of the project. Update and analyze project budget to determine funds available for any possible Short Doyle 2 system improvements and for a possible Phase 1b of the Fiscal and Delivery System Pilot Study.
2. Consider whether there are any Short Doyle 2 system improvements that counties may fund that are consistent with the goals of decreasing denied Medi-Cal claims and improving the timeliness and accuracy of Medi-Cal billing.
3. Partner with Harbage Consulting to implement the Fiscal and Delivery System Pilot Study.
4. Continue to participate in MITA planning efforts.

FISCAL IMPACT:

At the onset of the project in 2013, the required resources were estimated at \$300,000. This budget was based on the cost of a feasibility study for a Short Doyle 3 data system. Since then, the project has changed scope to include three program areas that require staffing over multiple years: Short Doyle 2 Enhancements, Fiscal and Delivery System Pilot Study and county participation in Medicaid Information Technology Architecture (MITA) planning.

Counties were first billed for their share of cost in August 2013. To date, 50 counties have opted to contribute a total of \$284,000 to support this project. Two counties have indicated plans to contribute to the project (Alameda and Humboldt), four have opted out (El Dorado, Lassen, Mariposa, Santa Cruz) and three have not indicated their plans (Mendocino, Plumas, Sierra). If all counties were to support the project, available funds would increase by about \$16,000.

Expenses associated with the Short Doyle Modernization Project:

1. Short Doyle 2 Enhancements are being explored and cost estimates are not available at this time.
2. Fiscal and Delivery System Pilot: Phase 1a expenses are budgeted for \$100,000 in the Harbage Consulting contract. Depending on the results from Phase 1a and how counties opt to proceed, a Phase 1b may be needed. The scope and cost of Phase 1b is unknown at this time.
3. County Participation in MITA Planning is considered to be cost neutral at this time.
4. CalMHSA Administrative and Fiscal Role: CalMHSA has been asked to assume a substantial administrative and fiscal role in staffing the project, contracting with counties, procuring and contracting for services. From 2013 to 12/31/2015, CalMHSA expenses to conduct these activities were about \$60,000. It is anticipated that CalMHSA would continue to provide administrative and fiscal support from January to June 2016, at an estimated cost of \$15,000. The total estimated CalMHSA expenses for FY 13-14, 14-15 and 15-16 are \$68,000.

RECOMMENDATION(S):

None.

TYPE OF VOTE REQUIRED:

None.

REFERENCE MATERIAL(S) ATTACHED:

- Short Doyle Modernization (SDM) Project Charter

Project Start Date: April, 2013
Project Steering Committee

Project End Date: June, 2015
Team Members

Member	Role	Email Address
Deepa Pochiraju	DHCS/OHC	deepa.pochiraju@dhcs.ca.gov
Don Kingdon	CBHDA	dkingdon@cbhda.org
Karen Eckel	DHCS/PMO	karen.eckel@dhcs.ca.gov
Kim Santin	CalMHSA	Kim.Santin@calmhsa.org
Marjorie McKisson	DHCS/SUD	marjorie.mckisson@dhcs.ca.gov
Marvin Southard	CBHDA/Co	msouthard@dmh.lacounty.gov
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Michael Heggarty	CBHDA/IT	michael.heggarty@co.nevada.ca.us
Mike Geiss	CBHDA/Co	
Robert Morison	DHCS/IT	robert.morison@dhcs.ca.gov
Sarah Brichler	CalMHSA	Sarah.brichler@calmhsa.org
Steve Kaplan	DHCS/Policy	skaplan@co.sanmateo.ca.us
Susan King	DHCS/SUD	Susan.King@dhcs.ca.gov
Thad Dickson	CBHDA/Co	
Tom Sherry	CBHDA/FIN	TSherry@co.sutter.ca.us
Toquyen Collier	DHCS/IT	toquyen.collier@dhcs.ca.gov
Vic Singh	CBHDA/IT	vsingh@sjcbhs.org

Member	Role	Telephone
Karen Eckel	Project Manager/Author	(916) 323-1726
Toquyen Collier	DHCS	(916) 440-7279
Robert Morison	DHCS	(916) 322-8044
Kathie Tyler	DHCS	(916) 440-7776
Chuck Anders	DHCS	(916) 319-8199
Sarah Brichler	CalMHSA	(916) 859-4827
Kim Santin	CalMHSA	(916) 859-4820
Don Kingdon	CBHDA	(916)
Dan Walters	CBHDA/County	(661) 868-6710

In Scope

1. Federal Reimbursement Pilot Study
 - a. Develop a Federal Reimbursement Pilot Study methodology which includes identification and testing of the variables necessary to develop a risk adjusted specialty mental health capitation formula that could be used by each county MHP to develop a proposed annual per member/per month (PM/PM) payment.
 - b. Conduct Pilot Study (with 3-6 counties)
 - c. Create a concept and proposed methodology document to present to DHCS for review by CMS
 - d. Implement SPA and/or waiver changes along with key stakeholders.
2. Short Doyle 2 Enhancement Project
 - a. Design and implement short term adjustments to the SD 2 system with the goal of decreasing denied Medi-Cal claims and improving the timeliness and accuracy of Medi-Cal billing.
 - b. The top two areas for system improvement were identified as:
 1. Improve reconciliation between 837's (claims) and 835's (remittance advice):
 2. Fix current, outstanding bugs in system:
3. Long Range MITA Planning
 - a. County behavioral health representatives will participate in the federally required MITA process; and provide perspective regarding the behavioral health component as part of the planning process.

Out of Scope

1. Anything outside of Efforts 1-3.
2. Changes, enhancements, or modifications to SD2 that are not included in the SOW.
3. System build resulting from CMS approval to implement new Reimbursement methodology derived from the Pilot Study.

Project Objective Statement

The objective of the SDM project is to explore an alternative payment or reimbursement system starting with a pilot study while concurrently providing direction and resources for enhancing the current system with the goal of decreasing denied Medi-Cal claims and improving the timeliness and accuracy of Medi-Cal billing. During the life of the project, focus will also be given to Medicaid Information Technology Architecture (MITA) long range planning to ensure that the ongoing solution will align with MITA Standards and Conditions and promote a more mature system that meets the needs of all Stakeholders.

Project goals

1. Improve reconciliation of 837's and 835's.
2. Decrease the incidence of inappropriately adjudicated claims by enhancing the current SD2 system.
3. Develop a federal reimbursement methodology to be tested by a small group of counties.
4. Produce a white paper for CMS that supports an alternative payment methodology for reimbursement of Behavioral Health Claims.
5. Provide the opportunity for DHCS, CBDHA, and CalMHSA to form a partnership to proactively collaborate in joint ventures which result in improved Behavioral Health Services and reimbursement of the same.
6. Position the department to advance our MITA maturity.

Benefits

1. Measured improvement towards MITA principles and maturity levels that will align with MITA Standards and Conditions and promote a more mature system that meets the needs of all Stakeholders.

Assumptions

1. The short term support for SD 2 claims adjudication will be a priority project component and will require consulting and financial resources contributed by federal, state and county partners.
2. The design and implementation of the federal reimbursement pilot study will require the participation of DHCS policy and fiscal staff in all phases of the project. County selection will be an early priority as will county development of the data sources, information technology, and fiscal changes needed for the participating counties to implement the desired changes to simulate the proposed reimbursement methodology.

Dependencies/Constraints

1. A key initial component of the enhancement effort will be the identification and prioritization of the needed SD 2 enhancements.
2. County Selection will be an early priority
3. Selected Counties will be able to develop data sources and perform IT and Fiscal changes timely.
4. Sufficient access to appropriate levels of SMEs from County and State program areas
5. Timely review and approval of draft and final deliverables
6. Scope – Claiming Process

Risks

1. Scope Creep
2. Stakeholder Expectations

Trade-offs

Dimension	Schedule	Cost	Resources
Constrained (Least Flexible)		X	
Accepted (Somewhat Flexible)			X
Improved (Most Flexible)	X		

Critical Success Factors

1. Continuity in services.
2. More timely and accurate estimate of federal payment to the county for cash flow purposes.
3. County participation in the long term approach to alignment with MITA Maturity Improvement Initiatives DHCS behavioral health enterprise concept of operations.

Roles and Responsibilities

Steering Committee

1. Champion the project at the executive level
2. Provide prompt decisions to keep the project on track

Team Members

1. Execute project tasks
2. Manage project risks and issues
3. Maintain appropriate communication

Governance Team Committee

Member	Role	Email Address
Barney Gomez	DHCS/IT	Barney.Gomez@dhcs.ca.gov
Brenda Grealish	DHCS/SUD	Brenda.Grealish@dhcs.ca.gov
Chris Cruz	DHCS/IT	Chris.Cruz@dhcs.ca.gov
Don Braeger	DHCS/SUD	Don.Braeger@dhcs.ca.gov
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Toquyen Collier	DHCS/IT	Toquyen.Collier@dhcs.ca.gov
Vic Singh	CBHDA/IT	vsingh@sjcbhs.org

Charter Approval

Member	Signature	Date
Karen Johnson		
Karen Baylor		
Chris Cruz		
Barney Gomez		
Philip Heinrich		
Robert Oakes		
Maureen Bauman		