

# Annual Revenue and Expenditure Report – Proposed Budget June 30, 2019



- Budget Narrative & Notes•

## **Budget Notes**

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The CalMHSA staff has reviewed the direction received from the strategic planning session as it relates to the visions for fiscal year 2018/19. Revenue projections have been made based upon current estimate of funds to be received and program administrative requirements/expenses have been shaped based on size and source of funds expected for each revenue stream.

### **A. General Budget Assumptions and Criteria Applied**

1. This budget has been compiled based on the program and administration needed to manage the programs, run the organization and manage the activities requested.
2. We have presented Column B as the proposed operating budget, with Column C as our contingency budget for the 18/19 year. The contingency budget reports known possibilities, that at some point in time of the year may become reality. Some funds require an expedited response with significant preparation work. The expenses associated with the contingency funds will not be spent until the contingent funds have been approved by the respective Board of Supervisor(s).
3. FTE for the 17/18 fiscal year has been 13.15. The proposed 18/19 Operating Budget proposes an increase to 16.70. The increase for additional FTE is for the known and approved Innovation Funds, managing the Leadership Council and potential Non-Profit, State Hospital Alternative, AB 1299, greater capacity for research of potential projects (visioning exercise) and Member Services.

The Contingency Budget, if achieved, would add three more FTE. This growth would be to manage the additional Innovation Funds, full funding of 1299, potential expansion of the fund development activities, and preparation work for any other contingency funds.

4. This budget reflects managing the programs requested and meeting member expectations of having the staff expertise to research potential projects for CalMHSA.
5. Ensuring member services is a priority. Meeting and recognizing that the membership is large/vast/varying/geographically spread out and evolving, that requires staff resources and subject matter expertise to succeed in making this relationship solid and beneficial to achieving CalMHSA's mission.
6. Ongoing efforts to enhance working with associated agencies CBHDA, CIBHS, OAC, and DHCS.
7. Resources for Fund Raising to continue with the work we do to break down the stigma and connect people to mental health support.
8. Meeting member interest in CalMHSA being efficient to assist in regional or joint member projects.
9. Continual response to the MHAC audit
10. Planning and preparing for continued and changing interest in AB 1299
11. The budgeted Direct Staffing and Indirect Costs are 11% of Revenue and 8% for the contingency Budget.

### **B. Revenue – Fiscal year 18/19 budget is estimated as:**

1. Operating Budget:
  - a. **PEI Sustainability** is budgeted based on prior year experience and anticipated to remain stable in 18/19
  - b. **Innovations Technology Suite** revenue is projected on Participation by Counties either already approved or significantly in the Pipeline for approval and expected to participate in 18/19. The amount of the funding is to represent one year of the multi-years of funding.

These members included in the projected \$25 million are

- i. Approved Counties--Los Angeles, Kern, Orange, Modoc, and Mono;
  - ii. In the pipeline the counties of--Tehama, San Mateo, Fresno, Riverside, Santa Clara, and Tri Cities, City of Berkeley
- c. **Private Fund Development** is based on prior year actual county participation and the target reach is based on estimated private fund contributions
  - d. **State Hospital Beds**--includes the annual participation contribution and an estimated additional \$100,000 that may be needed to be collected from counties for the deposit on the Paso Robles Project
  - e. **Suicide Prevention Program**--is based upon current participation agreements.
  - f. **Transfers In/Out**—represents the estimated pass through of deposits related to the AB 1299 that are needed to start the program with critical mass
  - g. **AB 1299 Admin Fee**--is based on 5% of the AB 1299 deposits
2. Contingency Budget:
- a. **PEI Sustainability** does not have a contingency budget.
  - b. **Innovations Technology Suite**--The contingency amounts is based on other member county participation not currently identified in the pipeline, and allows for counties that may become interested during the year.
  - c. **Private Fund Development**—an estimate of potential private funds currently being sought.
  - d. **State Hospital Beds**—does not have a contingency budget.
  - e. **Suicide Prevention Program**—does not have a contingency budget.
  - f. **Transfers In/Out**—represents a conservative estimate of the potential of further deposits received for AB 1299.
  - g. **AB 1299 Admin Fee**----is based on 5% of the AB 1299 deposits.
  - h. **Other Programs** have been targeted at \$5 million, estimate based on Counties asking CalMHSA to perform fiscal intermediary activities and grant submissions.

### **C. Expenditures**

#### **1. Program Expenses (Direct)--Operating**

- a. Program Partners/Contracts have been budgeted at a percentage of Revenues for applicable programs—PEI Sustainability (80%), Innovations Technology Suite (80%), Private Funding Development (50%), and Suicide Prevention (80%). The expense line item will agree to actual contracts approved by the board and executed by CalMHSA staff.
- b. Program Management is based on the FTE necessary to manage the specific programs—all FTE are provided through the contract with GHC
- c. Other Contracts—reflects consulting contracts for Subject Matter Expertise as needed.
- d. Legal Expenses represent legal fees of Doug Alliston related to the specific programs and an estimated amount related to the DHCS audit of CalMHSA contractor MHAC.
- e. Transfers out—will always correspond with the related transfers in, to track AB 1299 participation
- f. Travel and meetings—represents costs related to the specific programs and management.

2. **Program Expenses (Direct)—Contingency**—the expenses for the above listed expenses correlate to any revenue increases in contingency funds

#### **3. General and Administrative Expenses (Indirect)**

- a. General and Administrative Staffing – Staffing services to manage the general and fiscal operations of CalMHSA. This includes all of the legal mandated activities and filings

required of the JPA. It also includes the new position of Manager of Member Services. The staffing contract, approved last year, had a cost of living increase of two percent, which increases the rate from \$99 per FTE to \$101 per FTE for 18/19. A condensed list of services includes:

1. JPA Management—filing of legal documents, agenda/minutes, Insurance, Board Governance, etc.
  2. Accounting and finance
  3. Program and Contract Management
  4. Fund Development
  5. Procurement and contracting
  6. Member services
  7. Support services
  8. Exploration of assigned project ideas
- b. Legal Expenses – CalMHSA has retained Doug Alliston for legal services to provide counsel to the board and support of the governing documents, contracts, closed session, and manage all pending and threatened litigation.
  - c. Travel and Meeting Expenses – CalMHSA is governed by a Board of Directors and has established standing committees and Ad Hoc committees, which must comply with the Brown Act to conduct public meetings for JPA business.
  - d. Other Contracts – CalMHSA has entered into contracts for general information dissemination and information technology.
  - e. Insurance – CalMHSA procures its general liability insurance from CSAC-EIA on a policy term of July 1 to June 30. Insurance has been increased to prepare for Cyber and HIPPA coverage for 18/19.
  - f. Annual Audit—the government code and CalMHSA Bylaws require a financial audit be performed annually, the represents the annual contract cost—but not the resources to prepare and manage the process.

#### **4. Cost Allocation of General and Administrative Expenses**

CalMHSA historically has not operated with an Operating Fund or General Fund that is separately funded. As such costs of operating the JPA must be allocated and spread to all programs. This allocation is based primarily on the Participation Agreements of each program and ratably thereafter.

**California Mental Health Services Authority**  
**2018/2019 Operating Budget**  
**Combined Totals**

	(A)	(B)	(C)
	Approved Budget 2017/2018	Proposed Budget 2018/2019	Proposed Target Budget 2018/2019
<b>Revenues:</b>			
PEI Sustainability	7,730,037	7,700,000	7,700,000
Innovations Technology Suite	50,000,000	25,000,000	37,500,000
Private Fund Development Fees	435,209	400,000	1,000,000
State Hospital Bed Program	627,912	727,912	877,912
Suicide Prevention Program	543,834	590,872	590,872
Tranfers In - AB 1299		4,000,000	10,000,000
AB 1299 - Admin Fee		200,000	500,000
Other Programs	300,000		5,000,000
<b>Total Revenues</b>	<b>59,636,992</b>	<b>38,618,784</b>	<b>63,168,784</b>
<b>Program Expenses (Direct):</b>			
Program Contracts	14,733,586	27,695,027	38,535,027
Program Management	1,577,347	2,519,976	2,973,749
Other Contracts	56,000	50,000	75,000
Legal	34,952	183,801	185,000
Transfers Out - AB 1299		4,000,000	10,000,000
Travel & Meetings	104,900	110,000	150,000
<b>Total Program Expenses</b>	<b>16,506,785</b>	<b>34,558,804</b>	<b>51,918,776</b>
<b>General &amp; Administrative Expenses (Indirect):</b>			
General & Administrative			
Staffing	842,213	988,360	1,164,827
Legal	10,000	60,000	75,000
Travel & Meetings	16,000	30,000	75,000
Other Contracts	10,000	25,000	25,000
Insurance	39,500	43,000	43,000
Financial Audit	17,500	15,000	15,000
<b>Total General &amp; Administrative Expenses</b>	<b>935,213</b>	<b>1,161,360</b>	<b>1,397,827</b>
<b>Total Expenditures</b>	<b>17,441,998</b>	<b>35,720,164</b>	<b>53,316,603</b>
<b>Net Increase/(Decrease) Unexpended Funds</b>	<b>42,194,994</b>	<b>2,898,620</b>	<b>9,852,181</b>
Prior Year Reserves	5,421,953	2,648,099	2,648,099
Projected Reserves as of June 30	47,616,947	5,546,719	12,500,280
<b>Less: Obligated Reserves</b>	<b>(47,564,954)</b>	<b>(4,437,375)</b>	<b>(10,000,224)</b>
<b>Total Available Reserves at June 30, 2018</b>	<b>51,993</b>	<b>1,109,344</b>	<b>2,500,056</b>

**California Mental Health Services Authority  
Administrative Expense Allocation  
2018/2019 Fiscal year**

	General & Administrative	Private Fund Development	Tech Asst/Capacity Building	WET Program Funding	Fiscal Modernization	State Hospital Bed Program	Suicide Prevention - Regional Program	LA Media Campaign	AB 1299	PEI Sustainability Projects	Innovations Tech Suite	Totals	Percent of Total Expenses
<b>Revenue:</b>	0	400,000				727,912	590,872		200,000	7,700,000	25,000,000	\$ 34,618,784	
<b>Transfers In</b>									4,000,000			\$ 4,000,000	
<b>Direct Expenses (Direct):</b>	0	400,000	-	-	-	727,912	590,872	-	4,200,000	7,700,000	25,000,000	\$ 38,618,784	
Program Contracts		\$ 200,000	\$ 145,227	\$ 134,773	\$ -	\$ 582,330	\$ 472,698			\$ 6,160,000	20,000,000	\$ 27,695,027	87.31%
Program Management - Direct		333,258	36,521		50,217	381,192	27,391	118,695	365,214	659,668	547,821	2,519,976	7.94%
Other Contracts		5,000							9,000	36,000	50,000	50,000	0.16%
Legal		1,800			600	5,001			6,000	164,400	6,000	183,801	0.58%
<b>Transfers Out</b>									4,000,000			4,000,000	12.61%
Travel & Meetings		27,500				7,000	500			30,000	45,000	110,000	0.35%
<b>Total Direct Expenses</b>	-	567,558	181,748	134,773	50,817	975,523	500,589	118,695	4,371,214	7,023,068	20,634,821	\$ 34,558,804	96.75%
<b>General &amp; Administrative (Indirect):</b>													
General & Administrative													
Staffing	988,360	-	-	-	-	-	-	-	-	-	-	988,360	3.12%
Legal	60,000	-	-	-	-	-	-	-	-	-	-	60,000	0.19%
Travel & Meetings	30,000	-	-	-	-	-	-	-	-	-	-	30,000	0.09%
Other Contracts	25,000	-	-	-	-	-	-	-	-	-	-	25,000	0.08%
Insurance	43,000	-	-	-	-	-	-	-	-	-	-	43,000	0.14%
Financial Audit	15,000	-	-	-	-	-	-	-	-	-	-	15,000	0.05%
General & Admin Allocation to Programs	(1,161,360)	20,000	5,000	-	5,000	36,396	29,544	15,000	29,374	393,750	627,297	0	0.00%
<b>Total Indirect Expenses</b>	-	20,000	5,000	-	5,000	36,396	29,544	15,000	29,374	393,750	627,297	1,161,360	3.25%
<b>Total Expenditures</b>	-	\$ 587,558	\$ 186,748	\$ 134,773	\$ 55,817	\$ 1,011,918	\$ 530,132	\$ 133,695	\$ 4,400,588	\$ 7,416,818	\$ 21,262,118	\$ 35,720,164	100.00%
<b>Net Increase/(Decrease) Unexpended Funds</b>		\$ (187,558)	\$ (186,748)	\$ (134,773)	\$ (55,817)	\$ (284,006)	\$ 60,740	\$ (133,695)	\$ (200,588)	\$ 283,162	\$ 3,737,882	\$ 2,898,620	