



Community
MENTAL HEALTH
CLINTON • EATON • INGHAM

FINANCE COMMITTEE

Meeting Minutes

Wednesday, October 10th, 2018

5:30 p.m.

812 E. Jolly Rd, Conference Room G11-C

Lansing, MI 48910

Committee Members Present:

Joe Brehler, Kam Washburn, Kay Randolph-Back, Carol Koenig, Raul Gonzales

Committee Members Absent:

Chris Swope

Staff Present:

Stacia Chick, Darby Vermeulen, Ericanne Spence, Sharon Blizzard, Sara Lurie, Joanne Holland, Gwenda Summers

Public Present:

Chad Schafer - Plante Moran

Other Board Members Present:

Dianne Holman, Jim Rundborg

Call to Order:

The meeting was called to order by Chairperson Joe Brehler at 5:31 p.m.

Previous Meeting Minutes:

MOVED by Kay Randolph-Back and SUPPORTED by Carol Koenig to approve the meeting minutes of September 12th, 2018, with the amendments to the language on page 9, changing “enchanted” to “enhanced” and “exceptions” to “expectations”.

MOTION CARRIED unanimously.

Adoption of Agenda:

MOVED by Carol Koenig and SUPPORTED by Kay Randolph-Back to adopt the amended agenda, adding Fiscal Year 2019 Budget presented by Stacia Chick as action item #F-8.

MOTION CARRIED unanimously.

Public Comment on Agenda Items:

None.

BUSINESS ITEMS:

Amended Revenue Contract: Lansing School District - PEACE Grant (Promoting Peace by Expanding Awareness of Culture and Equity)

Gwenda Summers noted there was a date error in the contract the last time it was provided to the Finance Committee, so she amended the contract to begin 10/1 instead of 11/1 and has returned it to the committee. Gwenda reminded the group about how CEI became a partner in the grant through creating an access point at LSD schools for youth to CEI services.

ACTION:

MOVED by Raul Gonzales and SUPPORTED by Kam Washburn that the Finance Committee recommends that the Board of Directors of Community Mental Health Authority of Clinton, Eaton, and Ingham Counties authorize CMHA-CEI to enter amend the contract with the Lansing School District to provide prevention and intervention services in the amount of \$30,082 for the period of October 1, 2018 through June 30, 2019.

MOTION CARRIED unanimously.

Revenue Contract Renewal: Ingham County, Office of Community Corrections

Ericanne Spence stated that this contract was put out for bid for the first time ever earlier this year, and CEI was granted the contract. CEI has provided this service for almost 30 years.

ACTION:

MOVED by Kay Randolph-Back and SUPPORTED by Kam Washburn that the Finance Committee recommends that the Board of Directors of Community Mental Health Authority of Clinton, Eaton, and Ingham Counties authorize CMHA-CEI to enter into a contract renewal with the Ingham County Office of Community Corrections to provide outpatient treatment in the Relapse Prevention and Recovery Program (RP&R) for men and women who have been court ordered upon completion of residential treatment services for the period of October 1, 2018 through September 30, 2019 and receive for those services \$67,898.

MOTION CARRIED unanimously.

Deficit Elimination Plan Fiscal Year Ending 2017 - Supportive Housing Fund

Stacia Chick presented the plan to eliminate the FY 2017 deficit. She noted that the \$450,000 deficit comes from the Supportive Housing Fund. This includes those who rent from CEI, since it is difficult for many consumers to find housing in the community. The Supportive Housing Fund has not been profitable for CEI, and a deficit elimination plan must be submitted to the State.

Stacia reviewed the 5-year plan to eliminate the deficit. The deficit will decrease for 2018 because two CEI properties were sold. Stacia proposed that rent revenue increase by 5% for 6 months in 2019, and then increase by 3% for 2020-2022. Karla agreed this was reasonable for consumers living in the homes. Stacia proposed the rent increase begin April 1, 2019.

Kay asked about the 5% increase; she wondered if it would be possible to track income sources of consumers including Social Security and SSI to ensure consumers can afford the increases. Sara noted that this plan was reviewed and agreed upon by CSDD, and alterations to the plan can be made at any time. She implored the committee to approve the plan as it stands right now, as it has to be submitted to the State in a timely manner. Stacia reiterated that the plan can be revised over the 5 years if more analysis is needed in the future. The committee agreed that they would like more information on the plan at next month's Finance Committee meeting.

Another topic was brought up, and discussion ensued about the differences in rate of return between the investment rates from the State and from MERS and how the assumptions are continually changing and the problems that arise from those changes. Joe said the State perceives that there are issues with pensions, and they would like to find a way to address it, including setting their own standards. He went on to say this

doesn't mean MERS has to change their standards as well, but that is generally the case.

ACTION:

MOVED by Kam Washburn and **SUPPORTED** by Raul Gonzales that the Finance Committee recommends that the Board of Directors of Community Mental Health Authority of Clinton, Eaton, and Ingham Counties authorize the following resolution:

WHEREAS Community Mental Health Authority of Clinton, Eaton, Ingham Counties' Supportive Housing Fund has a \$451,545 deficit fund balance on September 30, 2017; and

WHEREAS, 1971 PA 140 requires that a Deficit Elimination Plan be formulated by the local unit of government and filed with the Michigan Department of Treasury;

NOW THEREFORE, IT IS RESOLVED that the Community Mental Health Authority of Clinton, Eaton, Ingham Counties' Board of Directors adopts the following as the Community Mental Health Authority of Clinton, Eaton, Ingham Counties' Supportive Housing Fund Deficit Elimination Plan:

	2018	2019	2020	2021	2022
Unrestricted Net Position (Deficit) Oct. 1	(451,545)	(345,482)	(261,858)	(175,157)	(86,248)
Revenue					
Rent Revenue	115,111	103,714	106,825	110,030	113,331
Proceeds from Sale of Assets	136,191	-	-	-	-
Local Revenue	80,000	80,000	80,000	80,000	80,000
Total Revenue	331,302	183,714	186,825	190,030	193,331
Expenditures					
Depreciation	32,064	28,720	28,685	27,688	26,595
Housing	216,095	91,570	92,238	93,910	95,708
Interest Expense	9,144	8,520	7,886	7,211	6,507
Total Expenditures	257,303	128,809	128,809	128,809	128,809

Add Back Depreciation (Net Investment in Capital Assets Net Position)	32,064	28,720	28,685	27,688	26,595
Unrestricted Net Position (Deficit) Sep. 30	(345,482)	(261,858)	(175,157)	(86,248)	4,868
	2018	2019	2020	2021	2022
Current Assets - Current Liabilities (Deficit) Oct. 1	(455,393)	(349,330)	(265,706)	(179,005)	(90,096)
Revenues	331,302	183,714	186,825	190,030	193,331
Expenditures	(257,303)	(128,809)	(128,809)	(128,809)	(128,809)
Add Back Depreciation	32,064	28,720	28,685	27,688	26,595
Current Assets - Current Liabilities (Deficit) Sep. 30	(349,330)	(265,706)	(179,005)	(90,096)	1,020
Explanation: Sold two properties in 2018; increase Rent Revenue by 5% for 6 months in 2019 and 3% each year 2020-2022; charge Facilities and Ground Maintenance at actual rates for 2019-2022 instead of through allocation process currently used (estimating a 50% reduction in expense); use of Local Revenue of \$80,000 for 2018-2022					

BE IT FURTHER RESOLVED that the Community Mental Health Authority of Clinton, Eaton, Ingham Counties' Chief Financial Officer submits the Deficit Elimination Plan to the Michigan Department of Treasury for certification.

IN WITNESS WHEREOF, we have hereunto set our hands and the Authority's seal effective the 18th day of October 2018.

The undersigned, Secretary of the Board of the Community Mental Health Authority of Clinton, Eaton, Ingham Counties, certifies that the foregoing is a true, correct and complete transcript of resolutions and the preamble thereto duly adopted on October 18, 2018 by the Board members at a duly convened meeting of the Board at which a quorum was present and voting, and the same have never been rescinded or modified and are in full force and effect at the date hereof.

IN WITNESS WHEREOF, I have hereunto set my hand and the Board's seal effective October 18, 2018.

(Seal)

Paul Palmer, Secretary

MOTION CARRIED unanimously.

Fiscal Year 2019 Budget

Stacia brought a revised 2019 budget, this time with FY 2019 Capitation Rates. This budget reflects that CEI will be receiving \$8 million more in revenue for FY19 than previously calculated. Joe asked if CEI currently owes MSHN any money, and Stacia said no, not currently. Joanne Holland noted that rates will be reset in January after MSHN reviews diagnoses of consumers across the region. She guessed that the rates will remain relatively steady. Stacia said this item was brought to Leadership on Tuesday, October 9, and leaders would like the committee to approve the FY2019 budget with this additional money. Kay said she would like leaders to begin spending the money now without additional details of where the money will be going, and bring back the items where money was allocated to the next meeting. Joe said he would like to see the plan before money is spent, which the rest of the committee agreed upon.

ACTION:

MOVED by Raul Gonzales and **SUPPORTED** by Kam Washburn that the Finance Committee recommends that the Board of Directors of Community Mental Health Authority of Clinton, Eaton, and Ingham Counties authorize CMHA-CEI to bring back the Fiscal Year 2019 budget program proposals to the November Finance Committee meeting.

MOTION CARRIED unanimously.

Health Care Committee Discussions Regarding Participation in a Regional Health Insurance Multiple Employer Welfare Arrangement (MEWA)

Stacia Chick and Sharon Blizzard presented a healthcare item that was presented to the HR Committee last week. CEI received rates from Blue Care Network and Physician's Health Plan for 2019. Stacia said an option on the table is to switch from BCN to PHP, and to self-fund prescriptions under PHP. Stacia said that PHP did not agree to a second-year capped rate increase equal to PA152, as was previously thought to be a possibility.

Kay asked if the subject of pharmacy benefit managers came up during these discussions, which means that the benefit managers retain part of the rebate from prescriptions. Sharon said the program presented to CEI was such that we will receive the rebates. CEI isn't eligible for rebates unless it is self-funded. She went on to speak about specialty and international drugs. The pharmacy would reach out to those with specialty drugs and try to move them to more inexpensive/international options. Sharon said there is more money now than ever in self-funded pharmacies. Stacia said moving to PHP from BCN would result in a 58% reduction to employee premiums. Kam said the one downside he sees to moving to PHP is the work it would take to change all employees over. Joe said he could see a downside in some organizations subsidizing other organization within the coalition, meaning rates could increase for CEI when being in a coalition with others coming in at higher rates. Stacia said that typically a healthcare provider will not provide a cap for two years. PHP has agreed to cap it just this one time. Stacia clarified that this option may not be available if CEI were to wait until next year. Joe said he was of the understanding that retirees were not covered under this plan.

Stacia said there are no savings to the agency in moving to PHP. Sharon wanted to mention that BCN rates went down because BCN is aware of the PHP option available to CEI. She went on to say this will have to go to both unions for ratification before it can move forth, as well. She said multi-employee arrangements such as the MEWA are becoming more and more prevalent. Kay said she would like the subsidization issue addressed at the board meeting next week, with more research done on other groups in similar situations. Joe said he questions whether CEI is ready to do this in 2.5 weeks when open enrollment begins. Sharon recalled the last time CEI made such a switch, there were very upset employees. She also said right now, CEI has no experience with customer service at PHP.

Raul Gonzales left the meeting at 7:47 pm.

Financial Audit of Fiscal Year 2017

Chad Schafer from Plante Moran reviewed the 2017 audit results, including the compliance audit, a single audit, and an audit of the federal awards. Plante Moran had originally planned to complete the audit in March, 2018, but there were several delays resulting in the audit being completed in August, 2018. Chad noted no new accounting policies adopted in 2017. He said some of the reconciliations in the financial statements weren't completed until July.

Plante Moran noted two significant audit findings, including an issue of capital lease liability related to the building expansion.

Chad went through the basic financial statements, which laid out Plante Moran's responsibilities, as well as management's responsibilities during the audit. He noted that CEI has \$44.5 million in assets, but \$82 million in liabilities, meaning what CEI owes in more than what CEI owns. He said general fund is \$11.2 million. Kay Randolph-Back asked for the differences between governmental fund and general fund; Stacia said that from a financial reporting perspective, general funds are an accounting-type of fund, and general funds received from the state are included in this. CEI's long-term debt was discussed, as well as the defined benefit plan including net pension liability. Chad noted supporting information including the budget to actual was also included in the financial statements.

Chad moved on to discussing CEI's federal awards. He said the keys awards are from MDHHS, as they make up the majority of the awards/grants. Chad then reviewed two material weaknesses on the federal awards, including the delay in filing the financial statements.

The Compliance Exam included a summary of the audit findings; the June 30th filing date was not met, which was recorded as a weakness.

Chad met with Sara and Stacia previously to lay out a plan for the FY 2018 audit. The goal is that FSR adjustments will be made by mid-December to have a trial balance and to begin field work on January 7, 2019. Stacia noted that should be no reason why audit completion will not be met by the deadline of March 31, 2019. Joe recalled that last year, the deadline was still not met, even after the Finance Committee was assured it would be. He wonders why part of the problem is that an auditing issue passes through several teams at Plante Moran before reaching upper management, and then the issue being recognized, and that item sent back to CEI. Chad went through the audit process for the FSR, the single audit, and then the compliance exam, detailing who goes through the files for the audits along the way. He noted that the technical standards team has caught issues in the past, including the Fixed Asset Reserve issue from 2016, which can create, and in that instance did create, a hold up in the process. Stacia said an issue on the FY17 audit with a customization that was added to CEI's software system that unknowingly broke the report. Joe said he understands that mistakes happen, but the deadlines seem to be glossed over by those involved and don't seem to be high priority. His perception is that part of the problem has been with Plante Moran, as well. Stacia said going into the contract with Plante Moran, the schedule was already delayed, which created a setback that wasn't Plante Moran's fault. Kam Washburn asked if there were any new accounting standards going into the 2018 audit, and Chad confirmed that no, there are not. Stacia said the accounting team in Finance is fully staffed now for the first time in a while, which will help move the audits along more quickly.

Carol Koenig left the meeting at 6:17 pm.

Old Business:

None.

New Business:

Stacia Chick provided an update to the Enterprise Resource Planning (ERP) System Replacement Initiative. She reminded the committee that the above the line request of obtaining new software for HR and Finance was approved. Both departments have been meeting with GFOA over several months. Currently, GFOA is creating an RFP to send out to vendors for bid. The RFP will be released in the first week of November, 2018. Stacia noted that \$750,000 has been budgeted for the new software. GFOA will review the proposals first, and an RFP Committee will be going through the proposals to see which vendors are meeting CEI's requirements. A decision should be made by March, 2019.

Kam wanted to make a comment about the audit before the meeting adjourned. He commended Stacia for her hard work with the complexity of the FY17 audit. Kam went on to say that the presentation done by Plante Moran at tonight's committee meeting was the worst audit presentation he has ever seen, and he has been through many.

Public Comment:

None.

Adjournment:

The meeting was adjourned at 8:18 p.m. The next regularly scheduled Finance Committee meeting is November 14th, 2018, 5:30 p.m., 812 E. Jolly Rd, Lansing, Conference Room G11-C.

Minutes Submitted by:

Darby Vermeulen
Finance Secretary