

Draft staff report for CHAC JPA Amendment

Recommendation

1. Adopt a Resolution approving an Amended CHAC Joint Powers Agreement and authorizing the City Manager/Superintendent/ to execute the Amended CHAC Joint Powers Authority Agreement; and
2. Designate signature authority for the Agency to provide written consent to dissolve the JPA once its remaining obligations are satisfied and provide written notice to CHAC of the designated representative.
3. [Appoint a Representative to the CHAC Board for the wind up and dissolution]

Background

In 1973, the City of Los Altos, Town of Los Altos Hills, City of Mountain View, Los Altos School District, Mountain View School District, Whisman School District and Mountain View School District, Los Altos High School Districts observed the need to promote mental health and well-being within their community and the lack of available mental health resources and programs in their community. To address this need, the seven public agencies executed an agreement and formed a Joint Powers Authority now known as CHAC (“CHAC” or “JPA”) with nonprofit status whose mission is to provide accessible and culturally competent mental health services.

CHAC grew into an organization focusing on delivering a range of high quality affordable mental health programs and support services in the North County community of Santa Clara County, serving Mountain View, Los Altos, Los Altos Hills, and Sunnyvale. CHAC has provided mental health programming in various contexts, including schools, Family Resource Centers, and a clinic. CHAC offered prevention workshops, group therapy, and individual counseling services to youth and their families and operated from revenue secured through school contracts, philanthropic grants, FIRST 5 Santa Clara County, and sliding scale patient fees.

CHAC also established a training program with local clinical education partners such as Palo Alto University, Wright Institute, and Santa Clara University, serving as a practice center for Master’s, Doctorate, and Postdoctoral students in psychology.

In recent years, the CHAC Board of Directors became concerned about the financial sustainability of the JPA due to a number of economic factors including, but not limited to, the cost of providing the services to the school districts, the historic rates charged for these services, changes in the law regarding interns, and the infrastructure required to access MediCal coverage. CHAC contracted with Venture Leadership Collective in

2023 to assess the current mental health environment and explore pathways to sustainability.

From March to December of 2023, an Ad Hoc Task Force, consisting of six Board members, evaluated business model strategies ranging from CHAC as a standalone organization to merger. Four JPA member representatives served on the Ad Hoc Task Force. The initial goal was to create a long-term financially sustainable organization. In the near-term, the Board of Directors passed an “Austere Budget” for 2023-24 fiscal year and suspended the clinic, placing all non-school-based clinical services on “hiatus” until completion of the sustainability plan. However, CHAC concluded that it could not be a sustainable standalone organization and began exploring opportunities to merge or collaborate with another entity to ensure continuity of the mental health services for the community.

At its December 6, 2023, Meeting, the CHAC Board approved pursuing a collaboration with Pacific Clinics. Pacific Clinics is a nonprofit behavioral and mental health care provider with a presence in the community and over 150 years of experience. CHAC and Pacific Clinics explored a net asset transfer. Following a due diligence period, CHAC and Pacific Clinics agreed upon the terms of the transfer and executed agreements to effectuate the transfer. As of July 1, 2024, CHAC transferred the building located at 590 West El Camino in Mountain View to Pacific Clinics. Except for supervision of an internship program until mid-August, CHAC has ceased providing services.

With the completion of the net asset transfer, and in light of Pacific Clinics provision of behavioral health services, the JPA’s original mission is now being fulfilled by Pacific Clinics. However, before the JPA can dissolve, it must wind up its business affairs. CHAC employed approximately 41 employees and has ongoing obligations to these former employees related to unemployment and benefits. It is anticipated that the JPA will need to continue in a significantly reduced role for approximately two years based on the unemployment insurance claim timelines. CHAC must also prepare, and file annual required state and federal financial documents, such as tax returns, until the dissolution occurs. While these tasks will be accomplished by a contractor, the CHAC Board will provide oversight, have signature authority and be responsible for adopting an annual budget, and reviewing and approving the required annual audit and tax filings as well as monitor the status of the unemployment insurance claims. Once the unemployment claim process is completed, then the JPA can dissolve if all of its obligations have been satisfied.

Analysis of Proposed Amended CHAC Joint Powers Agreement

The municipal and school district members entered into the first joint powers agreement in or about 1973. In 2014, the member agencies entered into a new agreement entitled JOINT POWERS AGREEMENT For the Operation of CHAC (Attachment 3) and made minor modifications to the original agreement. In light of the net asset transfer and the impending dissolution with a proposed Amended CHAC Joint Powers Agreement (“Amended Agreement”) specifically focusing on the wind up of CHAC’s affairs and outlining the process for eventual dissolution of the JPA is being presented to the city/school district for approval.

As a joint powers agency, CHAC is governed by the Joint Exercise of Powers Act (California Government Code Section 6500 et seq.). This state law imposes certain requirements on joint powers authorities like CHAC that are established by a written agreement between the parties.

Proposed Amendments

The Amended Agreement sets forth the specific purpose and authority of the agency and incorporates provisions to address specific requirements in the Joint Exercise of Powers Act and proposes the following changes:

First, it updates the agreement and specifies the purpose of the agency is to wind up its affairs.

Second, it contains specific financial and reporting requirements, and they are partially outlined in Section 10 of the Agreement. As CHAC has done in the past, it must designate a Treasurer. Joint powers authorities are also required to have a Certified Public Accountant or Public Accountant perform an annual audit and file the audit with the County (Government Code section 6505). In addition, Section 9 addresses the requirement that the Treasurer or any other persons who have access to CHAC’s property or funds shall obtain a bond that covers them for holding or disbursing CHAC funds. (Government Code section 6501.1).

Third, the composition of the Board of Directors is modified. In the current joint powers agreement, the Board of Directors is made up of the elected representatives of the six agencies and several community representatives for a total of sixteen board members. Since the purpose of the JPA has shifted from the provision of health services in the community to winding up the business affairs of CHAC, the need for community representatives to serve on the board no longer exists. For this reason, only the six

public agencies who are the parties to the Amended Agreement will be represented on the Board. As with the current joint powers agreement, the governing body of each agency appoints its representative. There is no requirement the representative be a member of the governing body.

Fourth, the current joint powers agreement permits the parties to withdraw from the JPA. As the guidance of all the member agencies is needed to wind up CHAC's affairs, the member agencies are not required to make any financial contributions to support CHAC, and CHAC will not continue in the longer term, this provision has been removed from Amended Agreement.

Fifth, the operative joint powers agreement requires the Board to meet at least once every two months, with an annual meeting in March. The number of required meetings has been modified to provide some flexibility to the Board so they can meet as they deem appropriate. It is anticipated at least two meetings will be needed to monitor the wind up, adopt an annual budget and review and approve the annual audit and tax filings. While only two Board regular meetings are required each year, the Board can always schedule a special meeting should the need arise. Pacific Clinics has agreed to allow the Board to meet at the former CHAC headquarters and to provide the Board with updates regarding the services it is providing twice each year while the JPA remains in existence.

It is important to note these following provisions contained in the Amended Agreement have been retained or added:

In the absence of its consent, no party to this Amended Agreement or members of the Board shall be bound to provide any sum of money, property, or service of any kind to CHAC. The Board shall have no power or authority to bind any parties to this Amended Agreement to any debt, liability, or obligation in the absence of express written authorization of the party to be bound (Previously Section 8.1, now Section 4.12) Each agency may, but is not required to, provide financial support to the JPA. The CHAC Board has adopted a budget with the funding necessary to fulfill its obligations to wind down the affairs of the JPA and is not seeking any additional funding from the member agencies. In fact, it is possible that some funds may remain at the time of dissolution. In accordance with the Joint Exercise of Powers Act, the Amended Agreement provides that any surplus funds remaining at the time of dissolution, would be distributed according to the contributions made by the parties (Government Code Section 6512).

Indemnification and Insurance provisions have also been included in the Amended Agreement and it clearly states that CHAC is a separate legal entity from the member agencies and to the extent permitted by law, CHAC will defend and indemnify the public agency members. The role of the Board members has also been clarified.

Dissolution

Once the obligations of the CHAC JPA have been satisfied, the Board will hold its last meeting and will send each member agency a notice requesting written consent to dissolve the JPA. This is anticipated to occur in the fall of 2026. Upon receipt of written consent from four of the six JPA members, the JPA will cease to exist. The recommendation includes a request that each agency designate and authorize an individual, such as City Manager or Superintendent, to provide written consent to the dissolution.

Conclusion

After 51 years of service to the community, CHAC takes great pride in its accomplishments, acknowledges alternative funding and resources are now available to provide critical mental health services to those in need in our community and looks forward to Pacific Clinics assuming a greater role in the provision of these services in the community.

For the reasons stated above, CHAC respectfully requests that each member agency take the following actions:

1. Adopt a Resolution Approving the Amended CHAC Joint Powers Agreement and Authorizing the City Manager/Superintendent/ to execute the Amended CHAC Joint Powers Authority Agreement; and
2. Designate signature authority for the Agency to provide written consent to dissolve the JPA once its remaining obligations are satisfied and provide notice to CHAC of the designated representative.
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Attachments:

1. Amended CHAC Joint Powers Authority Agreement
2. Resolution
3. JOINT POWERS AGREEMENT For the Operation of CHAC

