

MINUTES

Detroit Employment Solutions Corporation (DESC) Board Audit & Finance Committee Meeting Monday, April 17, 2017

Time: 9:30 a.m. – 10:30 a.m.
Location: 440 East Congress St., Conference Room 3R, Detroit, Michigan 48226
Facilitator: Chair Chris Uhl Via phone

Committee Members Present: Chris Uhl, Ric Preuss, Alice Thompson and Paul Trulik (via phone)
Committee Members Absent: Mark Redman
DESC Staff Present: Nicole Sherard-Freeman, Jose Reyes, Alessia Baker-Giles, Lynnette Robinson, Cassandra Ricks, Cristal Perry and Lisa Roberts
Others Present: Peter Kramer NFF via phone

Welcome and Introductions

The Meeting of the Detroit Employment Solutions Corporation (DESC) Board Audit and Finance Committee was called to order at 9:32 a.m. by Chair Chris Uhl. A motion was made by Director Alice Thompson to approve the Draft Agenda of April 17, 2017, supported by Director Ric Preuss. Motion Carried Unanimously.

A motion was made by Director Thompson to approve the minutes of November 30, 2016, supported by Director Preuss. Motion Carried Unanimously.

Non-Profit Finance Funding Consultants DESC Financial Situation Analysis Presentation

Peter Kramer, Director of Nonprofit Finance Fund gave a little background of his company. Mr. Kramer gave a summary of NFF's Financial Situation Analysis of DESC and answered questions. Director Alice Thompson questioned if DESC has the authority, control, leadership and independence to fundraise. Operating as a department of the City of Detroit, the city becomes a competitor going after some of the same funding streams. Ms. Nicole Sherard-Freeman, CEO/President, DESC, responded by saying that as a 501(c) (3) that is not a part of the city, DESC is certainly subject to the same sunlight rules and need to go before City Council to have budgets approved to access funds for GDYT for example, so you are right we don't have complete authority. Ms. Sherard-Freeman went on to say that the partnership DESC has with the Mayor's office of Workforce Development to date has been that their office is focusing on fundraising that supports industry partnerships. More of the vision and strategic work that must happen and our fundraising has been focusing on capacity building because that is where we need to bring some attention right now relative to technology, staffing having some operational margins to do some things. She also stated that she would like to be thoughtful about the next phase of work with NFF. Member Paul Trulik stated that he would like to know who is the national benchmark for the non-profit workforce development organization.

Finance Update 2018 Budget Preparation Update

Alessia Baker-Giles, Director of Finance, DESC, stated that she has been working with Nicole very closely on modeling a 2018 Budget. Ms. Baker-Giles stated that information has been received forecasting a 21% cut in WIOA funding and a 20% cut in PATH funding which totals \$7 million. She reported looking at every line item and developing different scenarios. She reported that the first budget deficit was \$7.6 million but has managed to dwindle it down to \$2.3 million. Ms. Baker-Giles reported having a meeting with Ms. Sherard-Freeman the next day to go over the current version of the draft budget to see what edits can be made. Ms. Baker-Giles stated that the projection is to have a final draft budget for the Board to review the week of May 26, 2017 and by that point she will have received real numbers from the State of Michigan but will still be using draft numbers for PATH because that funding does not start until October but plans to have a draft budget with all the detailed support for Audit and Finance to review by the week of May 26, 2017. She also reported that the cut may not be across the board but may be just from one funding source. Ms. Sherard-Freeman stated that by the next meeting of this committee, they can expect to see a

simple one pager by funding stream or group of funding streams, what the allocation is, the percentage allocated to training versus percentage allocated towards overhead or direct services. Director Thompson questioned what the 21% represented and Ms. Baker-Giles responded that it represented \$2.6 million. Chair Chris Uhl asked how cuts were handled, if programs will be scaled back immediately. Ms. Baker-Giles replied that she and Nicole are in the process of looking at that right now. They are looking at staffing, leases and what has been budgeted in the past to see if there is any fat that can be trimmed before the final numbers come in and hopefully her figure is lower than what is received from the state. Director Thompson inquired if there were any expenses in the budget tied to us operating as a department of the City that should not be there. Ms. Baker-Giles explained that when DESC was a city department, a central staff service cost was paid to the city of Detroit but now as an independent entity DESC is not paying central staff service cost to the city of Detroit.

Monthly Grant Analysis

Ms. Baker-Giles explained that the grants highlighted in grey are the ones that are currently being closed out for the month of March. She stated that she wanted to draw the committee's attention to the grants highlighted in yellow beginning with the Department of Labor Demonstration grant which ends June 30, 2017 and a nine month no cost extension will be requested from the Department of Labor and if approved DESC will be allowed to carry forward the balance to wrap up the program. Director Preuss asked what the Demonstration grant is and Ms. Sherard-Freeman responded that it is the program that is run in the Ryan and Macomb re-entry centers teaching culinary arts, asbestos removal and lead abatement. Director Thompson inquired of the probability of the request being granted and Ms. Sherard-Freeman responded that it is quite favorable. Ms. Baker-Giles proceeded to the WIOA Dislocated Worker grant which has a balance of \$4.1 million that can be transferred 100% between the Adult and Dislocated Worker grants. She explained there is a slow expenditure draw down on this grant and a lot of it is related to training and until we start bringing in dislocated workers and getting them training, the spend rate is probably going to look pretty much like this at the end of June 2017 so we are going to look at dislocated worker at the end of May and forecast what we need to transfer to Adult and we will be allowed to carry those funds over to July 1, 2017 which will assist us with the potential cut that we're looking at in 2018. Ms. Baker-Giles went on to state that the one-stop contract is also charged to the Adult and Dislocated Worker grants and should be servicing Dislocated Workers which means they should be charging their time against the Dislocated Worker grant so it all comes down to time distribution and cost allocation and if it is being done correctly then the expenditures should reflect the population being served. Seeing this much-Dislocated Worker money left over raises the question if cost allocation is being done correctly across the one-stops. Director Thompson questioned who questions or examines if we are correctly logging if we are serving that population because sometimes it becomes an issue of not documenting correctly. Ms. Cassandra Ricks, Contract Management Supervisor, DESC, stated that is her area as far as monitoring the provider. Ms. Ricks went on to say that DESC has dealt with them a little on their allocation as well as eligibility issues. We try to them clear in knowing how to determine eligibility and making sure that the client is a dislocated worker. Stephanie's team also looks at that. Ms. Baker-Giles stated that from past practices it is easier just to make clients Adult vs Dislocated Workers because you have to do a little extra work.

YTD Budget v Expenditure Format

Ms. Baker-Giles gave a summary of the year to date Budget versus Expenditures. She explained that the Audit and Finance Committee meetings are normally held after the 20th of the month because that's when the numbers must be finalized and sent to the State of Michigan but an adjustment had to be made for this month's meeting. Ms. Sherard-Freeman asked what the outcome would be if DESC continues the current run rate and Ms. Baker-Giles responded that everything is looking fine this year and there is not a projection of any deficits across any of the grants so it will be fine through June 30, 2017. Director Thompson asked Ms. Baker-Giles to explain the contingency line and she responded that the \$90,000 in that line is budget that is not allocated to a specific line item meaning if there is a deficit in another line item the contingency money can be moved to that particular line item to eliminate the deficit. Director Thompson questioned if DESC has had to move any money this year and Ms. Baker-Giles replied that the contingency line started out at \$144,000 and it is now at \$90,000.

**Contract Modification
Refugee GF/GP**

Cassandra Ricks, Contract Management Supervisor, DESC stated that there is a contract modification that DESC is requesting be approved today. Ms. Ricks explained that additional funding for Refugee PATH GF/GP was received since the last Audit and Finance Committee meeting and it is being requested that the contract of ACCESS be increased by \$33,800 to service the refugee PATH participants. Ms. Sherard-Freeman questioned if this additional allocation came from state funding and Ms. Ricks replied yes. Ms. Sherard-Freeman also asked if all the Michigan Works agencies received a portion of the additional funding that was left over from some other state bucket that had to be re-allocated and Ms. Ricks responded yes. Director Thompson made a motion to approve the contract modification for ACCESS, supported by Member Paul Trulik. Motion Carried Unanimously.

Director Ric Preuss commented that based the presentation given by Peter Kramer, it seems that the most feasible option in generating unrestricted funds is to charge a fee for services provided by DESC. Chair Uhl agreed with Director Preuss and stated that as he thinks about how to transition the organization going forward and converting some deeper service models and consider what it would take to convert the organization to a place not lacking perpetual subsidy.

Public Comment

No public comment was presented to the committee.

Adjournment

With no further business to come before the Audit and Finance Committee, a motion to adjourn the April 17, 2017 meeting was made by Director Preuss, supported by Director Thompson. Motion Carried Unanimously.

The meeting adjourned at 10:32 a.m.

Prepared by: Cristal Perry

APPROVED: June 13, 2017