

MINUTES

Detroit Employment Solutions Corporation (DESC) Board
Audit & Finance Committee Meeting
Tuesday, March 29, 2016

Time: 1:00 p.m. – 2:30 p.m.
Location: 440 East Congress St., 3R Conference Room, Detroit, Michigan 48226
Facilitator: David Carroll, Chairman

Members Present: Laura Hughes, Kevin Howley, Ric Preuss, Alice Thompson, and Paul Trulik
Member(s) Absent: Paul Huxley
DESC Staff Present: Jose Reyes, Alessia Baker-Giles, Lynnette Robinson, Cassandra Ricks, Kristin Bailey, Chauncey Samuel, Robert Shimkoski and Cristal Perry
Others Present: Angela Shields, Michigan Virtual University; Ron Stefanski, Cengage Learning

Welcome and Introductions

The Meeting of the Detroit Employment Solutions Corporation Board (DESC) Audit and Finance Committee was called to order at 1:01 p.m. by David Carroll, Chair. A motion was made by Member Paul Trulik to approve the Draft Agenda of March 29, 2016, supported by Director Alice Thompson. Motion Carried Unanimously. A motion was made by Director Laura Hughes to approve the minutes of February 26, 2016, supported by Member Paul Trulik. Motion Carried Unanimously.

Capital Structure Overview

Member Paul Trulik provided a presentation on capital structure. During his presentation, he provided an overview of capital structure's three key pillars and also explained the difference between capital and revenue. Member Trulik discussed using ratios and metrics to help with budgeting, measuring financial health, and planning expenditures. Chair Carroll asked the committee if they thought it would be helpful if they had two or three helpful metrics to review every month in addition to the balance sheet and the monthly grant analysis report. Member Trulik agreed with this recommendation, particularly if the committee starts reviewing those items right now. Member Trulik further noted that until DESC's business model changes or additional contributions come in, it is not going to be much different. Director Hughes noted that during a previous meeting, she recommended that this committee receive a "deep dive" overview regarding DESC's federal funding process. Director Hughes also noted that she believes that all DESC Board members should make a financial contribution to DESC.

Finance Report Update

Ms. Alessia Baker-Giles, Director of Finance, DESC, reviewed the monthly grant analysis report and latest balance sheet. Ms. Baker-Giles stated that there is \$120 in non-restricted net assets and \$147,000 is still restricted. Chair Carroll inquired about the operating cash position and Ms. Baker-Giles responded that on the books right now, there is no money in the bank. However, there is a \$1.7-million-dollar receivable and the money is on the way. She reported that there is still an issue with the Aspen and WIOA Admin. grants. With Aspen, there is a balance of \$9,256 that has to last through the end of June. The solution is to reallocate a staff person because there is a mandatory travel requiring the project manager and DESC's Planning Director to travel to Chicago for a conference. Ms. Baker-Giles reported that the program manager will be charged to Grow Detroit's Young Talent (GDYT) beginning April 1st and \$300,000 has been received from the Skillman Foundation to support GDYT operations. Chair Carroll inquired about how taking a person off Aspen would impact agency operations. Ms. Baker-Giles replied that the person will be 50% on Aspen. She explained that Aspen was a \$50,000 contribution for planning so the implementation of the grant has not happened yet because DESC has not been funded for Aspen and we are still in the planning stages. Mr. Robert Shimkoski, Director of Policy Planning & Resource Development, DESC, explained that a one-year planning grant was received originally for \$100,000. The grant was completed and DESC applied for but did not receive the next round, which was a three-year implementation grant. A one-year grant was awarded for planning and implementation and that money has been spent. This is the second year and \$50,000 was received. Mr. Jose Reyes, Interim President/CEO, DESC, stated that he has reached out to Aspen to request additional funding.

Chair Carroll asked if there should be a concern with any instances noted on the monthly grant analysis report when

the used percentage number is materially higher than the benchmark number. Ms. Baker-Giles replied that it depends on the funding. Ms. Baker-Giles reported that staff from the City of Detroit's Planning department met with Ms. Stephanie Nixon and Ms. Cassandra Ricks of DESC's Program Unit to explain exactly how the CDBG funds could be spent as well as if/when the funding would be received. Director Thompson inquired about potential risks given the fact that CDBG funds are not going to close the gap. Ms. Baker-Giles responded that the risk is still WIOA Admin. With the funding that is expected to come in, it will be \$100,000 - \$110,000 short to get DESC through June 30th. Chair Carroll stated that private fundraising should be brought up in an upcoming board meeting and a discussion around what can or should be done with fundraising initiatives. Mr. Reyes stated that he and Ms. Stephanie Nixon, Program & Service Innovation Director, DESC, talked with Citizens Bank, and the bank expressed interest in funding the agency. Director Thompson recommended to Mr. Reyes that he speak with Mr. Ed Duggan and Mr. Jeff Donofrio before he makes contact with others regarding fundraising.

Ms. Baker-Giles stated that Director Hughes requested a continued discussion regarding the agency's organizational assessment. Mr. Reyes reported that some organizational assessments have been conducted and the scores indicate that DESC could make some improvements. Chair Carroll instructed Mr. Reyes not to wait on the Board to conduct improvement assessments.

Chair Carroll inquired about what needs to take place in order to get a balanced budget approved before the end of the year. Ms. Baker-Giles responded that she started with a preliminary. The current year budget is \$37 million, and the preliminary for 2017 including GDYT is \$43 million. Without GDYT, the budget goes down to \$33 million. A 10% cut from WIOA is being projected and if the cuts are lower than 10%, then her numbers will look even better than they look right now. Right now, DESC is trying to lock down the anticipated award amounts and then they are forecasting the actual expenditures for next year. She stated that Mr. Reyes recommended that the Finance Unit reach out to the other agency units and assess things differently this year because in the past, the Finance Unit would just look at prior actuals and figure out any outliers and remove them, see what was spent each year, and develop a budget. This year, they are asking each unit for a "wish list." Ms. Baker-Giles stated that she should have a draft budget by the beginning of May. By the first week of May, she will know the numbers that are going to come in and she will develop a draft from that point forward. She also stated that the staff did not receive a raise last year and this will be the second year without a raise. She is going to try to budget in some kind of increase. Chair Carroll stated that the committee needs to start considering what date this budget should be presented to the Audit and Finance Committee as well as the Board. He also inquired if it was a good idea to put some modest amount of money in the budget as a revenue source for general funds to be raised, should the committee arrive at a modest, reasonable number. Director Thompson agreed, and cautioned to be very conservative.

Public Comment

There were two members of the public present, Angela Shields of Michigan Virtual University, and Ron Stefanski of Cengage Learning. Mr. Stefanski stated that having these meetings open to the public is very helpful. He explained that his company is a workforce training company. They train people in workforce solutions and its premier workforce solution (which they are launching in Detroit) is an online high school diploma for adult high school dropouts. Chair Carroll asked if they were teaching a specific skill. Mr. Stefanski replied that it is a diploma and a career certificate in one of eight high-demand areas.

Adjournment

With no further business to come before the Audit and Finance Committee, a motion to adjourn the March 29, 2016 meeting was made by Member Trulik, supported by Director Preuss. Motion Carried Unanimously. The meeting was adjourned at 2:22 p.m.

Prepared by: Cristal Perry