

**WACOSA Board of Directors Meeting**  
**November 26<sup>th</sup>, 2018**  
**5:19 PM – 6:25 PM**

Members Present:

Jon Archer  
Zachary Dorholt  
Jennifer Johnson  
Jeff Murphy  
Karla Myres  
LeRoy Northam  
Joe Perske  
Cherie Scofield  
Jeanne Theis  
Herb Trenz

Members Absent:

John Bartlett  
Ron Brandenburg

Staff Present:

Nancy Betts  
Steve Howard  
Ann Kennedy  
Carrie Peterson  
Traci Richter  
Sarah Starling  
Beth Sueker  
Sandie Westergren

**1. Welcome Board Members – Meeting called to order**

**2. Review of Agenda**

Motion by Mr. Joe Perske, seconded by Mr. LeRoy Northam, to congratulate the St. Cloud Thunder on their first Minnesota State Championship win! Motion passed.

**3. Approval of Minutes**

Motion by Mr. LeRoy Northam, seconded by Mr. Zachary Dorholt, to approve the September 17<sup>th</sup> Board meeting minutes as presented. Motion passed.

**4. Finance**

**a. Approval of Annual Budget**

Ms. Traci Richter stated the 2019 budget was prepared on actual revenues and expenses from October 1<sup>st</sup>, 2017 through September 30<sup>th</sup>, 2018. In prior years, the budget was based on annualized numbers, which were not a true picture of what was actually received or spent during the last months of the year. By using actual figures we are getting a more accurate picture of revenues and expenses for the time period.

Program service income is budgeted to be \$7,203,847 for 2019. Program service revenue increased by approximately 1% over 2017/2018 actual revenue. The increase is due to adding the 1<sup>st</sup> Avenue location with 40 new clients; along with new clients in the South Program, 1 new client in the North Program, and 1 new client in the Seniors Program. For budgeting purposes,

individualized rate setting continues to be in flux, with on-going negotiations occurring at the state level to finalize how per diems will be calculated/paid to vendors statewide. WACOSA addressed this uncertainty by completing the MOHR spreadsheet with all participants being entered with their individual rates. It was noted that the average rates for the South Program stayed consistent to prior years at \$65.78, the Seniors Program went from \$66.40 to \$65.96, the Sauk Centre Program went from \$69.09 to \$69.77, and the North Program went from \$86.28 to \$86.39. Another area of program revenue increase was in the per diem for Stearns County. WACOSA was able to negotiate an increase in the number of days for which we can bill for the services we provide. Prior years there was a cap of 240 days. Recently, we renegotiated for 246 days with Stearns County. The state EE grant was increased from \$111,020 to \$115,000 in 2018. The reason for the increase in the grant is due to the rates increasing. WACOSA over earns the grant dollars they are allocated each year and receives additional dollars from other organizations that do not spend the full amount of their grant dollars.

Vocational income is budgeted to be \$1,790,556 for 2019. In general, vocational income is budgeted to increase by approximately 1% in 2019 over 2017/2018 actual revenue. This increase is due to community crew income showing a 1% increase, production income expected to decrease by 5% due to Electrolux leaving at the end of 2019, shredding income staying flat due to Marco entering the shred world, and ThriftWorks! revenue increasing by 9%, due to continued strong sales. EE vocational income is expected to decrease by 2% due to crews losing some larger contracts.

Contributions are budgeted to be \$616,300 in 2019. They are budgeted to increase 51% over 2018 budget. It is anticipated there will be more grants at higher values, two 5310 grants will be awarded, and general financial donations being consistent with prior years.

Staff wages and related costs are budgeted to be \$6,655,620 in 2019. Overall, staff wages and related costs are budgeted to increase by approximately 20% over 2017/2018's actual expenses. WACOSA has budgeted for an additional pay increase of 2% starting in October of 2019. In addition, following a wage survey to research our wage ranges, we noted that some positions were not being properly compensated given experience levels, credentials, essential job functions, etc. It is estimated to cost approximately \$3,000 to correct wages for these positions. The addition of 1<sup>st</sup> Avenue also added an additional \$583,676 including additional positions to cover the increased number of clients. Once all adjustments were made, a staff utilization percentage was included, since staff positions are rarely, if ever, fully staffed throughout the year. Worker's compensation insurance premiums are anticipated to increase 10% due to large claims the last three years. Workers comp had not answered our request for anticipated rates at the time of budgeting. Health insurance premiums from our provider increased by approximately 5% over 2018. In 2019, WACOSA eliminated all but one plan to get a better rate. WACOSA will offer a high deductible \$4,000 at the cost to the employees of the 2018 high deductible of \$6,300. We also increased the amount due to the addition of the 1<sup>st</sup> Avenue location and new positions. In 2019, WACOSA budgeted and additional .5% to bring the total 401(k) match up to 2%. The plan currently has an approximate 4% participation. While not as much as WACOSA hopefully plans to contribute in future years, this match represents our good faith effort to bring the plan back step-by-step.

Consumer wages and related costs are budgeted to be \$1,080,398 in 2019. This is an increase over 2017/2018 actual expenses. The reason for this relates to the increase in minimum wage and more clients being able to work.

Program and office supplies are budgeted to be \$124,700. These were increased by 24% over

the actual 2017/2018 actual expenses. Supplies increased due to the addition of the 1<sup>st</sup> Avenue location. Supplies will be closely monitored and any unnecessary expenses will be cut.

Building and equipment costs are budgeted to be \$522,358 in 2019. This is an increase of approximately 24% over 2017/2018 actual expenses. The reason for this increase is due the addition of 1<sup>st</sup> Avenue, our aging equipment, equipment repairs, aging buildings, and snow care.

Advertising and public relations are budgeted to be \$119,290 for 2019. Overall, the advertising and public relations budget for 2019 increased 95% over the 2017/2018 actual expenses. The reason for the increase is due to more competition in the shredding arena, trying a new event and format, and greater branding of WACOSA, in general.

Transportation costs are budgeted to be \$530,008 in 2019. This is an increase of 20% over 2017/2018 actual expenses. Vehicle fuel represents the greatest reason for the increase in this number. Increased fuel consumption is also due to the addition of the 1<sup>st</sup> Avenue location. Additionally, WACOSA has decided to lease three additional new vehicles in 2019 from Enterprise. The decrease for vehicle maintenance is being budgeted at \$108,100 for 2019 as there should be less maintenance with the newer vehicles.

Miscellaneous other expenses are budgeted to be \$626,130 for 2019. The majority of this increase consists of depreciation expense. The reason for the increase in depreciation expense is due to new leased vehicles, new equipment, and the new location.

Mr. Herb Trenz asked if Ms. Ann Kennedy had the opportunity to talk with Marco. Ms. Kennedy stated she did. Marco is aggressively planning to pursue business in the St. Cloud area. They are looking at collaboration opportunities to keep our clients working.

Mr. Trenz asked what sort of an event we anticipate will replace the Harvesting Happiness Breakfast. Ms. Carrie Peterson said we are planning a celebration of abilities in October during Disability Employment Awareness Month, which would be a dinner with a speaker. Ms. Jennifer Johnson stated the Disability Awareness Taskforce already holds a comparable event with the same name in October. Mr. LeRoy Northam suggested an art fair in April with a silent auction. Mr. Howard stated he has always felt that WACOSA is missing an annual celebration, when you compare us to other organizations of our size.

The Finance Committee has reviewed the budget and recommends approval.

Mr. Howard stated WACOSA is talking with the Sauk Rapids Rice School District about opening a second thrift store. The school district is currently searching for property to lease for several different programs and they would carve out a space for WACOSA. This store would bridge the gap between students finishing high school and being able to work in centers while avoiding the failure loop caused by WIOA. The school district would pay the lease and overhead expenses. Mr. Murphy reminded the board that there are grants associated with this project to cover expenses. If the grants cannot be obtained, this will force a re-think of the project.

Motion by Mr. Herb Trenz, seconded by Ms. Cherie Scofield, to approve the 2019 Budget as presented. Motion passed.

## **b. Review of September Financials**

Ms. Richter stated September program revenue was over budget by \$14,000 for the month. We remain over budget for the year by \$60,000. The biggest part of the overage is in the area of MA and Vocational Rehab funding.

September vocational revenue was under budget by \$1,000 for the month and over budget \$25,000 for the year. Year-to-date community crew income was over budget by \$5,500; production revenue was under budget by \$23,000, shred revenue was over budget \$4,800, and ThriftWorks! revenue was over budget by \$40,000.

September donation revenue was under budget by \$26,000 for the month and under budget \$102,000 for the year.

Staff wages and costs were under budget by \$12,000 for the month and under budget \$118,000 for the year. The reason for the decrease was due to the many open positions that were open and anticipated to be filled.

Net health insurance/life benefits were over budget for September by \$21,000 and under budget for the year by \$19,000.

Client wages and costs were under budget for the month of September by \$11,000 and under budget year-to-date by \$39,000. The subcategories that make up the greatest part of the \$39,000 are building and grounds maintenance which is under budget for the year by \$16,000, Equipment under \$1,000 which is under budget for the year by \$22,000, snow and lawn care is expected, and equipment maintenance which is under budget for the year by \$4,600.

Advertising and public relations were under budget for the year by \$22,500 due to more advertising being done closer to the end of the year for the holiday season.

Transportation costs were over budget year-to-date by \$18,000. Contracted transportation was under budget by \$14,000; and vehicle maintenance was over budget by \$26,000 which is due to an aging fleet.

Professional fees were under budget by \$12,700 for the year. These expenses will even out due to some of the outstanding audit and tax returns.

Motion by Ms. Cherie Scofield, seconded by Mr. Joe Perske, to approve the September Financials as presented. Motion passed.

### **c. Annual Distribution/Raising Distribution Limit in Policy**

Ms. Richter stated WACOSA gives \$40,000 annually to the staff as a year-end distribution. This amount has gotten to be less significant with our growing number of employees and she would like the board to consider raising the amount allotted proportionally with our number of employees for future years. For now, the amount will remain the same this year. A request for approving the upping of this amount will come next budgeting cycle. As such, this item is only informational at this time.

### **d. Review/Approval of Any Changes in Financial Designations**

Ms. Richter stated capital asset reserves will be about \$3,600,000. Unemployment is projected to

have 50% of people finding work by 14 weeks, 10% finding work by 40 weeks, and 40% finding work by 8 weeks; the budgeted amount is down from \$804,000 to \$698,000.

Ms. Richter will have actual figures available in December.

Motion by Mr. Jon Archer, seconded by Mr. LeRoy Northam, to approve the Financial Designations as presented. Motion passed.

## **5. Director's Report**

### **a. Review of Board Calendar for 2019**

Mr. Howard stated the 2019 Board Calendar has comparable meeting dates to 2018. The 5310 grants and audits may change as needed throughout the year.

Motion by Ms. Karla Myres, seconded by Ms. Jeanne Theis, to approve the Board Calendar for 2019 as presented. Motion passed.

### **b. Signing Board Code of Conduct, Confidentiality, and Conflict of Interest**

Mr. Howard asked all board members and key staff to turn in their Code of Conduct, Confidentiality, and Conflict of Interest forms before leaving this evening.

### **c. October Metrics**

Mr. Howard stated 1<sup>st</sup> Avenue's figures are not included in the numbers at this time.

WACOSA served 582 people in October. 14 new in-house work opportunities were produced for the month and 142 for the year. 85 in-house jobs were produced for the month and 790 for the year. There was a 2.5% DSP turnover for the month and 20.6% for the year. ThriftWorks! revenue was about \$23,000 over budget for the month and over budget \$28,000 for the year. DocuShred was over budget by \$12,000 for the month and \$53,000 for the year.

As time passes, Mr. Howard is looking for input on how to improve the metrics for the board. NetSuite makes more robust statistics easier to track.

### **d. Update on WACOSA 1<sup>st</sup> Ave Transition**

Ms. Nancy Betts stated the fire marshal has inspected the property and we are making necessary changes. We are waiting on a new provider number for billing; currently we are having ICI bill the state/county and then send us the payments. Everything is going smoothly otherwise.

Ms. Sandie Westergren stated the staff appear happy and seem to have adjusted well.

Ms. Betts stated the program did not provide services to clients only 3 days during the transition while staff received the necessary training.

Ms. Kennedy is getting the signage changed and the vehicles wrapped with the WACOSA graphics.

**e. Reminder of CARF Preparations for 2019**

Mr. Howard stated CARF is coming next year between August and September. Staff are starting to prepare for their visit and the CARF Committee is active and collecting data.

**f. Board Production Brainstorming Minutes for October**

Staff are continuing to look for ways to generate more income for WACOSA with the 2019 impending loss of Electrolux and West Rock contracts. Ms. Karla Myres said the meetings are enjoyable and she encouraged everyone to join in, if able.

**6. Board Development**

**a. Re-Election of Current Board Members (Ending 3-year terms)**

**i. Karla Myres**

**ii. Herb Trenz**

Motion by Mr. LeRoy Northam, seconded by Mr. Joe Perske, to re-elect Ms. Karla Myres and Mr. Herb Trenz to an additional 3-year term. Motion passed.

**b. Approval of Board Officers and Signers for 2019**

**i. Jeff Murphy (President)**

**ii. John Bartlett (Vice President)**

**iii. Cherie Scofield (Treasurer)**

**iv. LeRoy Northam (Secretary)**

Motion by Ms. Karla Myres, seconded by Mr. Jon Archer, to approve the Board Officers and Signers for 2019 as presented. Motion passed.

**7. Motion to Adjourn**

Motion by Ms. Jeanne Theis, seconded by Ms. Karla Myres, to adjourn the meeting. Motion passed.

**Staff dismissed. Board members asked to stay to discuss the results of the board survey.**

**Next Meeting: February 18<sup>th</sup>, 2019**

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LeRoy Northam, Board Secretary

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Date