

**WACOSA Board of Directors Meeting**  
**February 18<sup>th</sup>, 2019**  
**5:18 PM – 8:50 PM**

Members Present:

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

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**

Mr. Steve Howard added a legislative update regarding the 7% cut to the Director's Report.

**3. Approval of Minutes**

Motion by Mr. LeRoy Northam, seconded by Mr. Zachary Dorholt, to approve the November 26<sup>th</sup>, 2018 board minutes as presented. Motion passed.

**4. Committee Reports/Business**

**a. Finance Committee**

**i. December 2018's Year-End Financial Statements**

Ms. Traci Richter stated we have kept more cash on hand throughout the 3<sup>rd</sup> and 4<sup>th</sup> quarters of 2018 in light of the new 1<sup>st</sup> Ave location, as well as unknown state and federal funding changes that are beginning to trickle down.

Investment income has increased again in 2018 due to having a large amount of money in designated donations sitting in our money market account. Overall, general investments are comparable to the previous year.

Our Electrolux receivables have decreased slightly over the prior year's balance. This is all dependent on payments scheduled and inventory we hold for them that is unassembled. We monitor this account closely and have tried to predict unpredictable payment systems and cycles with this customer. This amount is expected to taper off as Electrolux begins a

more concerted effort to move their operations to the South Carolina, which we anticipate will begin occurring in June of this year.

Our program receivables are comparable to the prior year's balance. Over the last year, our program-billing accountant has worked hard collecting outstanding revenue from the state.

Year-end inventory increased slightly over the prior year's balance due to Electrolux business slowing toward the end of the year. ThriftWorks! inventory increased slightly over prior years in light of way the value of donated goods are reflected. The recording of inventory is shown on the Statement of Activities as in-kind donations.

In 2018, WACOSA increased the fixed assets held by the organization. This increase is due to the addition of vehicles, payroll software, and the 1<sup>st</sup> Avenue location.

Wages and accrued vacation paid both increased significantly due to the addition of the 1<sup>st</sup> Ave location, as more long-term employees are now accruing more PTO. This is because staff are allowed to accrue PTO at a higher than normal level. The max staff can carry over is 400 hours. Mr. Howard stated he does not want to drop the number to 300 because staff retention is already low. Mr. Jon Archer recommended slowly lowering it to 300 over time. Ms. Jeanne Theis asked if staff lose a lot of PTO. Ms. Sandie Westergren stated we do have staff losing it and staff are aware that this is occurring.

Program service income increased significantly because of the 1<sup>st</sup> Avenue location. Income also rose significantly in the Vocational Rehab Services WACOSA provides. This is due to more clients being served in supported employment over the course of the year. We continue to see an influx of different rates coming in recorded on client service agreements, demonstrating funding changes that remain in flux and confusion by our funding partners as to how to implement these changes.

Vocational Income was over budget in 2018 in some of WACOSA's business ventures, while falling short in other areas. Consumer wages were slightly over budget in some vocational areas. Our in-house production was under budget by \$17,000 for the year. WACOSA lost a couple of large contracts during the year and replaced them with smaller contracts. Increase in poundage from DocuShred customers was approximately 5,600lbs over 2017. Shred revenue increased in 2018 by \$20,000 over 2017. However, this increase was due to an adjustment in shred prices charged per pound. ThriftWorks! revenue increased by \$66,830 in 2018 compared to total revenues in 2017. WACOSA budgeted ThriftWorks! revenue to be approximately \$277,000 in 2018 with actual revenues coming in at approximately \$354,000. Mr. Archer stated when we analyze ThriftWorks! it appears we are seeing a positive cash flow over time.

Fund Development donations throughout the year have increased by approximately \$86,000. The reason for the increase is due to a few larger grants, as well as growth in designated donations. In 2018, in-kind donations (non-cash gifts) were recorded as having been contributed from ThriftWorks! based upon inventory on hand, in addition to warehouse space leased at no cost to the organization. In-kind donations also included 1<sup>st</sup> Avenue assets that we acquired during the Independence Center's dissolution.

Staff wages and costs were over budget for the year. Staff received a 3% wage increase

in the 4<sup>th</sup> quarter of 2018. These increases were designed to get some of the pay grades in line with the competitive market. There were also a few wage adjustments for people who were out of line with their proper pay grade. The increase also considered the 1<sup>st</sup> Avenue Employees at the end of 2018.

During 2018, net health care costs increased slightly over 2017. These expenses were under budget for 2018, as we shifted more of the costs for the existing traditional plan and family plans to plan participants. WACOSA worked with our provider to examine current and potential future claims using new tools and systems available. Through this assessment, WACOSA will continue looking to develop a wellness program geared to help minimize high claim risks, while educating staff on healthy life habits.

WACOSA's 401(K) match was \$46,000 for the year compared to \$27,000 in 2017. The reason for this increase is likely the fact that we increased our matching contribution in 2018 to 2%.

Client wages and related cost have increased over 2017 by approximately \$9,000. The reason for this increase is the increase of minimum wage, as well as an increase in the number of client jobs.

Utilities were higher than in prior years and over budget by \$18,000 due to swings in temperature during summer and winter months. Equipment under \$1,000 was under budget for the year but over budget when compared to 2017. Building and ground maintenance was under budget as a number of anticipated projects were put on hold for 2018.

WACOSA is currently operating a fleet of 40 vehicles. We were approximately \$6,000 over budget for fuel costs in 2018. Throughout the year vehicle, maintenance ran over budget by approximately \$43,000. When comparing the year's activities to 2017, the difference was related to repairs needed for some of our older vehicles, additional tire replacement, vandalism, accidents, and various other repairs. At the end of 2018, we had eight leased vehicles, which should help lower some of our vehicle maintenance expenses.

Professional fees were under budget by approximately \$20,000 in 2018. This was the result of accounting fees not incurred, lower attorney fees, lower insurance deductibles, and various other consulting fees not incurred for the year.

Motion by Ms. Cherie Scofield, seconded by Ms. Jeanne Theis, to approve the December 2018 Year-End Financial Statements as presented. Motion passed.

## **b. Board Development**

### **i. Presentation of Committee Assignments for 2019**

Mr. Howard presented the current committee assignments for the year. Currently, there are no board members on the Board Development Committee. The Fund Development Committee has an opening for a community member. The Sales and Marketing Committee is going to have non-board members serving on it in the near future.

## **ii. Board Vice President Position Remains Open**

Mr. Howard stated the Vice President position is open. He recommends that an incumbent board member fill the position rather than a new member, since this position should be filled by someone more familiar with WACOSA.

## **iii. Reminder of Board Terms Ending**

Mr. Howard presented board member terms ending at the close of this calendar year.

## **iv. Update on Board Process Work with Mr. Brian Myres**

Mr. Murphy stated minutes from the previous meeting were distributed to board members. They will continue to meet and keep the board informed. Board work is expected to conclude sometime around the end of March, 2019.

## **c. Program Committee**

### **i. Review of Accessibility Report/Corrective Action Report**

Ms. Nancy Betts stated that the ramp outside of Door E at the Annex building was in need of repair. It was repaired in April 2018 and continues to function properly.

WACOSA's AccStats database was updated to include all WIOA information.

A number of clients have struggled to sustain employment due to soft skill related issues. WACOSA has been working with clients to teach the Top 20 principles to help clients work on their soft skills. Ms. Karla Myres asked if WACOSA has any comprehensive results that show the Top 20 programming has improved soft skills. Ms. Betts stated we have qualitative data showing it has, but nothing quantitative. Ms. Betts will examine how best we might be able to collect quantitative data to meet this need in the coming year.

Funding cuts have resulted in restrictions in the number of days clients can attend services. Additionally, clients are being told more readily they are ineligible for services. WACOSA continues to meet with legislators and other politicians to advocate for WACOSA services. Staff and clients continue to attend MOHR's Day at the Capital as a way of advocating for themselves. The next Day at the Capital is scheduled for March 12<sup>th</sup>, 2019.

The continued need for employment, especially center-based work, continues to be a potential accessibility barrier for clients. Mr. Howard has put together a team that meets monthly to develop and act on new business opportunities. WACOSA has met with the Greater St. Cloud Development Corporation, Career Solutions, and MN DEED to strengthen and develop existing and new job opportunities. This will continue throughout 2019.

No significant areas related to communication access/barriers were noted this past year. WACOSA continues to employ native Somali speakers who are helping to teach other staff and clients the Somali language, while also helping our Somali speaking clients learn English.

WACOSA has not identified any barriers to technology at this time. We continue to provide computer and tablet access to staff and clients for work exploration and life skill activities.

WACOSA does not currently have a transportation or accessible transportation waiting list. We will continue to maximize our transportation resources and address individual transportation needs as they arise.

Motion by Ms. Karla Myres, seconded by Mr. Zachary Dorholt, to approve the Accessibility Report and Correct Action Report as presented. Motion passed.

#### **d. Director's Report**

##### **i. Update on Strategic Plan Development**

Mr. Howard stated the Administrative Team has been working with Ms. Bri Torborg of Fort Society Consulting to develop strategic plan goals for the coming 4-5 years. A focus group has been held, attended by individuals representing the full spectrum of WACOSA stakeholders from all relevant backgrounds. Ms. Torborg is compiling the information gathered during this meeting. The next focus group will be held with the board sometime following board process improvement work set for completion at the end of March. At this time, the results of the earlier stakeholder focus group will be shared with board members and a board focus group will be scheduled.

##### **ii. WACOSA Metrics**

Mr. Howard stated WACOSA served 617 people in January 2019. Eight new in-house opportunities were produced. WACOSA had 75 in-house jobs. DSP turnover was 0.86% and overall staff turnover was 0.59%. ThriftWorks! revenue was \$28,228 and Docushred revenue was \$20,074.

##### **iii. Update on Processes to Replace Electrolux Work/Brainstorming Minutes**

Mr. Howard stated the minutes from the brainstorming session are on the board portal. Mr. Charlie Clour is working as a commission-based salesperson for WACOSA to try to offset Electrolux losses expected to occur at the close of this year. Ms. Ann Kennedy stated he would receive a 10% commission based on gross sales of in-house work. There is no legal contract at this point. However, one is being drawn up and will be shared with an attorney before being executed. Mr. Howard stated DocuShred revenues have been relatively flat, especially if you extract out increases levied over the past 2 years. Ms. Kennedy hopes to spend more time actively promoting DocuShred, while Mr. Clour helps with production work.

Ms. Myres asked for an update regarding the Sauk Rapids school district collaboration. Mr. Howard stated we are waiting to hear back from them, but he will reach out to them for an update in the near future.

Mr. Joe Perske asked for an update on the current workload from Electrolux and how we see it changing. Ms. Beth Sueker stated the Electrolux closing date continues to fluctuate. However, we are beginning to see signs they are transitioning to their new location in

South Carolina.

**iv. Legislative Update – 7% Cut**

Mr. Howard stated three bills were introduced in the name of the Best Life Alliance, sponsored by WACOSA's state association, MOHR, to help mitigate the effects of the previously passed 7% cut. MOHR and AARM (represents residential providers) filed a lawsuit against the Department of Human Services as a step to correct the 7% cut. However, recently we learned that a US District Court Judge ruled against the lawsuit without prejudice. If the 7% cut is not rectified this legislative session, the full cut will hit WACOSA in January of 2020. This cut will have a significant impact to WACOSA and other organizations in the field of Health and Human Services.

**All staff excused.**

**5. Review of Executive Director's 2019 Performance**

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

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LeRoy Northam, Board Secretary

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Date