

To: Gulf Coast Workforce Board Members

From: Mike Temple
Carol Kimmick

Date: July 30, 2013

Subj: Board Meeting Materials for Tuesday, August 6, 2013

The next meeting of the Gulf Coast Workforce Board is scheduled for **10:00 a.m., Tuesday, August 6, 2013**, in the second floor Conference Room A, 3555 Timmons, Houston. We have a short and focused agenda for this month's meeting.

Chairman's and Committee Reports. Board Chair Guthrie will provide a brief report on items of interest for members. Audit/Monitoring Committee Chair Garcia will discuss the committee's last review of contract and system monitoring results.

Action. The Board's Procurement Committee met on July 18 and reviewed proposals from various bidders to operate your Workforce Solutions system in 2014 and beyond. Chair Guthrie will bring the committee's recommendations to you for action.

Information Items. Included is information on current performance and expenditures. As usual, Ron Borski will brief us on the region's economy.

We look forward to seeing you Tuesday. Please call or email us if you have questions.

The Gulf Coast Workforce Board Tentative Agenda

Tuesday, August 6, 2013 at 10:00 a.m.

H-GAC Conference Room A

3555 Timmons Lane, Second Floor, Houston, Texas 77027

1. Call to Order and Determine Quorum
2. Adopt Agenda
3. Hear Public Comment
4. Review June 2013 meeting minutes
5. Declare Conflicts of Interest
6. Consider Reports
 - a. *Chair's Report.* The Board chair will report on items of interest.
 - b. *Audit/Monitoring.* The committee chair will present an update from the July 2013 meeting.
7. Take Action
 - a. *Procurement.* The chair will report on the committee's recommendations for funding Workforce Solutions operations in 2014, and ask Board consideration of contracts in amount not to exceed in total \$173,117,000.
8. Receive Information
 - a. *System Performance.* Staff will summarize current performance against Board measures and grantor requirements.
 - b. *Expenditures.* Staff will report on current expenditures.
9. Look at the Economy

Staff will discuss current economic data and trends in the Gulf Coast labor market.
10. Other Business
11. Adjourn



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**MINUTES OF
THE GULF COAST WORKFORCE DEVELOPMENT BOARD
TUESDAY, JUNE 4, 2013**

MEMBERS PRESENT:

| | | |
|----------------|------------------|--------------------|
| Karlos Allen | Gerald Andrews | Sara Bouse |
| Carl Bowles | Larry Calhoun | Sal Esparza |
| Yvonne Estrada | Joe Garcia | Mark Guthrie |
| John Hebert | Bobbie Henderson | Cody Holloway |
| Tracie Holub | Eduardo Honold | Tony Jones |
| Birgit Kamps | Ramona Malone | Kendrick McCleskey |
| Linda O'Black | Ahmed Rabie | Allene Schmitt |
| Richard Shaw | Bill Weaver | Sarah Wroblewski |
| Madeleine York | | |

H-GAC STAFF MEMBERS PRESENT

Mike Temple
David Baggerly
Ron Borski

Mr. Mark Guthrie, Chair, called the meeting to order at approximately 10:00 a.m., on Tuesday, June 4, 2013, in the 2nd floor, H-GAC Conference Room A, at 3555 Timmons Lane, Houston, Texas. Mr. Guthrie determined a quorum was present.

Mr. Guthrie introduced new Board members – Mr. Larry Calhoun, representing Montgomery County and Dr. Ahmed Rabie, representing the City of Houston. Mr. Guthrie asked both Mr. Calhoun and Dr. Rabie to tell the Board a little about themselves.

ADOPTION OF AGENDA

Mr. Guthrie asked for an adoption of the agenda as presented. A motion was made and seconded to adopt the agenda. The motion carried.

PUBLIC COMMENT

Mr. Cornelius Booker, the Regional Disability Navigator for Workforce Solutions spoke to the Board about Workforce Disability needs.

MINUTES FROM APRIL 2, 2013

Mr. Guthrie asked if there were any additions or corrections to the minutes for the April 2, 2013 meeting. A motion was made and seconded to approve the minutes as presented.
The motion carried.

DECLARE CONFLICTS OF INTEREST

No one declared a conflict of interest.

CONSIDER REPORTS

Chair's Report

Mr. Guthrie stated that it was an interesting legislative session in Texas and there was uncertainty regarding the special session – but nothing has passed that would interrupt the operation of Workforce Boards.

Career and Technical Education is on everyone's mind – HB5 – Public Education passed, awaiting governor's signature. HB5 changes the current structure of public secondary education. It creates a single diploma program and allows students to pursue individual interests through diploma "endorsements" and seeks to reduce the emphasis on testing by decreasing the number of end-of-course examinations required for graduation. Amends current law relating to public school accountability, assessment and curriculum requirements for high school graduation, and funding in support of certain curriculum authorized for graduation.

Mr. Guthrie explained he would be attending a conference later today in Austin which is sponsored by the Texas Higher Education Coordinating Board. The Conference is seeking to share best practices for combining ABE with Career and Technical Education occupations skills. Mr. Guthrie explained he hopes to hear good ideas to bring back to the Board.

Both Mr. Guthrie and Mr. Mike Temple attended a presentation "Global Cities" by the Brookings Institute. Mr. Richard Daley, former Mayor, City of Chicago stated that in the future people will be moving to cities and cities need to be encouraging growth, education, etc. The Greater Houston Partnership, Mr. Bob Harvey appointed an action task force targeted at workforce development which both Mr. Guthrie and Mr. Temple met with and discussed the operations of the Workforce Board.

Mr. Guthrie asked Ms. Nancy Tootle to speak about BayTech. Ms Tootle explained that organization - BayTech, Bay Area Houston Advance Technology Consortium is a 501(c)(3) technology consortium that will bring together academia, industry, NASA-JSC, and the State of Texas. BayTech pursues federal and private research and technology development funding that will create jobs, retain the workforce and knowledge base,

generate new revenue streams, and maximize future opportunities for Texas and the greater Houston region. The organization is about creating ways to bring together workforce as well as economic development in Texas. The results turned out to be several new contracts with NASA for small and large businesses and we were able to train 25 people to work in industry.

Mr. Guthrie stated that he and Mr. Temple met with the new TWC Commissioner representing Employers – Ms. Hope Andrade. Mr. Guthrie stated that he felt she would be a business voice on the Commission and he looked forward to working with her.

Audit/Monitoring

Mr. Joe Garcia explained that the committee met via phone conference on Tuesday, May 28, 2013 and discussed recent activity.

- The regional team has completed reviews of the Westheimer Office (average) operated by Interfaith of The Woodlands and Lake Jackson Office (average) operated by ResCare Workforce Services. We also reviewed the Financial Aid Payment Office (FAPO) operated by Neighborhood Centers, Inc. We are working through our questions with their operations.
- The Regional Quality Assurance special projects monitor is conducting surprise visits to child care vendors to see if the vendors and parents are using the automated attendance system correctly.
 - We found no cards at vendors in March and April.
 - Some vendors are not using the automated system as required.
 - We found problems created by staff attempts to correct eligibility and attendance data.

We continue to work with the Financial Aid Payment Office to correct issues, better train vendors and parents and better address misuse of the attendance cards.

- Financial reviews:
 - Neighborhood Centers, Inc. annual financial review. We found procedures in need of updating, suggested better separation of duties practices and budget line item variances. All findings are resolved with the exception of the updated policies.
 - Neighborhood Centers, Inc. financial billings and financial aid payment review. We found lack of payment trail, some excess funds and 2 data systems not matching reported expenditure. NCI provided additional information to clear up these findings.
 - Gulf Coast Trade Centers, Inc. annual financial review. GCTC was late in making work experience payments.

- Houston Area Urban League. We found procedures in need of updating, suggested better separation of duties practices. Additionally, there were late bank reconciliation and the GL did not match the billing.
- Interfaith of the Woodlands financial aid payment review. Instances of missing reconciliations, signatures and other documentation. We questioned \$1,863.19. ITEP sent documentation to cover all but \$25.50 that they will refund us.

The Audit/Monitoring Committee will meet on July 10, 2013 at 10:00 am for a vendor overview and to hear more detailed reporting regarding performance.

Mr. Garcia reminded the Board that TWC will perform their annual monitoring review in mid June.

Early Education and Care

Dr. Bobbie Henderson explained the committee met on Wednesday, May 15th and had guest speaker, Carol Shattuck from Collaborative for Children to report on the progress of the School Readiness Committee and the Executive Summary.

Over the past year, the Texas Gulf Coast School Readiness Committee has been developing a long range plan for improving quality and expanding access to early childhood education to families in the 13-county region. The Texas Gulf School Readiness Committee is composed of a distinguished group of private and public leaders.

Research continues to support the benefits of early learning on a child's future, some children are not getting what they need to be successful in kindergarten. Approximately forty percent of children under five years of age are at home and cared for by a parent. Twenty-two percent are in an informal setting and thirty-five percent are in regulated care such as a licensed child care facility, prekindergarten or Head Start. Through its work, the School Readiness Committee intends to improve quality and expand access to early care and education for all children in the region.

Reading on grade level by the third grade has been associated with more successful graduation rates later in a child's life. The positive impact of early education and care for young children now will result in a better prepared workforce later. The Committee's six goals are:

Goal 1. Quality Standards. Apply research and evidence-based standards in guiding family and educator interactions with young children and in measuring the quality and impact of early education programs and services.

Goal 2. Family Support. Ensure that families have easily accessible and culturally relevant parenting resources to enhance child development.

Goal 3. Professional Development. Ensure that early childhood education program staff has opportunities to develop the knowledge, skills, confidence and support systems to help children reach their full potential.

Goal 4. Financing and Governance. Develop a financing and governance structure that provides a sustainable community investment in early education and measures the impact of the system on school readiness.

Goal 5. Community Support for Quality and Access. Strengthen community support for high-quality, accessible early childhood education among families, elected officials, educators and business leaders.

Goal 6. State-Wide System. Build partnerships across Texas to strengthen state infrastructure and financial resources for early education.

TAKE ACTION

- a. Strategic Planning. The committee chair will present an update from the May 2013 meeting and bring recommended changes to the Board's strategic plan.

Mr. Carl Bowles started by explaining that the committee met on Tuesday, May 7, 2013 and today, Tuesday, June 4, 2013 prior to the Board meeting and that it has been five years since the last Strategic Plan update. At that time – the economy in Houston was going good and we were meeting all the targets. The story has been a little different since then, but we are coming back around and things are looking good again.

The committee heard a presentation from Mr. Jeff Taebel and Ms. Meredith Dang from H-GAC's Community and environmental Planning Department regarding findings and made some suggestions about solutions to workforce related issues raised through the regional sustainable development planning process.

The committee looked at data on the region's economy and performance against the Board's measures.

- The area economy is strong, with our region recovering all of the jobs lost in the most recent recession and even adding additional jobs.
- While not meeting all the targets for 2012, performance improved over the prior year.

Committee members agreed that the Board's current strategic plan language remains clear and concise. For the next five-year plan cycle, the Board should focus on:

- Strengthening Workforce Solutions' support for customers pursuing education/training degrees and certifications
 - Providing higher level staff support for customers receiving Workforce Solutions scholarships

- Expanding the Board's role as the major source for labor market data and information in the region
 - Completing and distributing middle school and high school editions of the Board's career information curriculum When I Grow Up – providing help for students, parents and teachers in finding the good jobs of the future
- Finding alternative sources of funding to support the Board's system
 - Identifying ways to raise private or other sources of funding to help achieve the Board's results and support workforce service delivery

In considering annual and five-year targets for the Board's strategic plan measures, the committee heard recommendations from the staff for minor changes in the calculation of two measures.

- For the Higher Incomes/Exiters with income gains of 20% or more measure: broaden the base used to calculate performance. Include all customers who have finished their service at Workforce Solutions, not just customers who had finished their service and were employed.
- For the Educated Workforce/Customers pursuing credentials who achieve them measure: measure if each customer pursuing an education/training credential achieves the outcome regardless of the time needed to complete.

A copy of the report – “How Are We Doing?” - 2012 Report on Achieving the Board's Results along with a draft Board Strategic Plan for 2014-2018, proposed annual and five-year targets and measures were included in the Board packet.

A motion was made and seconded to adopt the proposed Board Strategic Plan for 2014-2018. The motion carried.

- b. Nomination. The committee chair will present a recommendation to fill the vacant office of Vice Chair.

Mr. John Hebert explained that the committee looked at filling the vacant position of Vice Chair and they unanimously recommend Mr. Joe Garcia. Mr. Hebert asked for nominations from the floor or a motion to elect Mr. Garcia as the new Vice Chair. There were no nominations from the floor and a motion was made and seconded to elect Mr. Joe Garcia by acclamation. The motion carried. Mr. Joe Garcia abstained from voting.

- c. Ratify previous decisions. Ratify actions taken at the February 5, 2013 and April 2, 2013 Board meetings.

Mr. Guthrie explained that elected officials – TWC have been in the process of reappointing Board members. This has resulted in two months in which the Board was technically out of compliance with membership requirements.

To ensure that all Board actions are appropriately approved, we are requesting that the Board ratify actions taken by the Board in February and April 2013.

Those items are:

February 5, 2013

- a. *Early Education & Care.* The committee chair will present an update from the January 2013 meeting and bring recommended changes to Workforce Solutions financial aid procedures for Board consideration.
- b. *Budget.* The Budget Committee will present a proposed 2013 Board budget of \$174,555,600 million for consideration.
- c. *Nominating.* The committee chair will present nominations for Board officers in 2013.

April 2, 2013

- a. *Employer Service.* The committee chair will present an update from the March 2013 meeting and bring recommendations for changes to the Board's high-skill, high-growth occupations for consideration.
- b. *Nominating.* Consider recommendations of Nominating Committee to fill offices.

A Motion was made and seconded to ratify actions taken by the Board in February and April 2013, as listed above. The motion carried.

RECEIVE INFORMATION

System Performance

Mr. David Baggerly reviewed the System Performance measures for October 2012 through April 2013. These measures gauge progress toward meeting the results set out in the Board's strategic plan. There are two sets of measures: one for the entire regional workforce system and one for the Board's operating affiliate, Workforce Solutions. We report on the Workforce Solutions measures at each Board meeting.

For Workforce Solutions More Competitive Employers –

Employers Receiving Services (Market Share) – we expected to provide services to 24,591 employers this year which is almost 18% of the 138,150 employers identified for the Gulf Coast area. We provided services to 19,555 employers thru April.

Employer Loyalty – our performance indicates our employer customers value our services and return to us for additional services. Of a possible 22,979 employers, 10,134 returned to The Workforce Solutions for additional services thru April.

More and Better Jobs –

New jobs created – This information is captured quarterly and reflects a two year average.

Customers employed by the 1st quarter after exit – Reporting for two quarters ending June 2012, 185,201 of the 259,655 customers who exited from services were employed in the quarter after exit.

Higher Real Incomes –

Exiters with Earnings Gains of at least 20% - Reporting for two quarters ending December 2011, 81,987 of the 166,146 customers who exited had earnings gains of at least 20%.

A Better Educated and Skilled Workforce –

Customers pursuing education diploma, degree or certificate who achieve one
Reporting through April 2013, 922 of the 3,422 customers pursuing an education diploma, degree or certificate achieved one.

In addition to the Board's measures, Workforce Solutions works to meet the state's expectations for performance on indicators related to the money we received from the Texas Workforce Commission.

For the performance year that began October 1, 2012, we are meeting or exceeding the target for five of ten measures. The five measures we are not meeting are:

- Total Job Postings Filled. The target for this measure is 32.1%. Our performance for three quarters (1/12-9/12) was 23.1%.
- Total Education Achievement. The target for this measure is 80%. Our performance for three quarters (10/11 – 6/12) was 71.4%. We expect to meet the target by the end of September.
- Youth Literacy/Numeracy Gains. The target for this measure is 50.5%. Our performance in the first three quarters (7/12 – 3/13) was 41.7%. We expect to meet the target by the end of June.
- Choices Full Work Rate. This measure looks at the percent of customers receiving TANF benefits who are employed. The target for this measure is 43.0%. Our performance through April was 34.0%.
- Average Number of Children Served per Day (Child Care). The target for this measure is 22,942. We are about 3,000 children under enrolled and are working to increase our enrollment.

We continue to work closely with our contractors to improve performance on all measures.

Several members had questions regarding the sequestration and child care. Mr. Temple explained that child care was good thru the end of the fiscal year with no-wait list.

Expenditure Report

Mr. Mike Temple reviewed the Financial Status Report for the four months ending April 30, 2013. Mr. Temple explained that we are running a little behind on a straight-line estimate of expenditures for the twelve month period, but everything looks good. There continues to be pressure on financial aid expenditures because of the sequestration. We have closed access to scholarships, but not the support services for early education and care.

Legislative Updates

Mr. Temple explained that the Governor called the Legislature back into special session and gave a brief update on several pieces of legislation which are Board related, are in the packet for review. All the bills noted have passed both houses of legislature, but have not been signed into law by the Governor at this time.

LOOK AT THE ECONOMY

Mr. Ron Borski explained that the rate of unemployment in the Houston-Sugar Land-Baytown-Metropolitan statistical area (H-S-B MSA) dropped to 5.9 % in April, lower than the state's 6.1% rate and the nation's 7.1 % rate.

Job gains in March were much weaker than normal. Job growth picked back up in April and MSA is showing a 4.2% rate of job growth, more than twice the nation's 1.6% rate. Accordingly to seasonally adjusted data the MSA recovered all jobs lost during the recession by November 2011 and since added another 165,400 jobs to payrolls, an increase of 6.3 percent.

Over-the-year gains are found across all major industries in the MSA, but the pace of expansion has seen some slowing in a few sectors.

Mining and Logging is reporting an increase of 7,200 jobs or 7.3% over the year. Construction is currently up 11,400 jobs or 6.3% over the year and has seen an increase in hiring recently. Manufacturing is currently reporting an increase of 9,500 jobs or 4.0% over the year. Professional and Business Services are reporting an increase of 14,000 jobs or 3.3% over the year. Most of the increase was in Architectural, Engineering and related services and Employment Services.

The pace of job growth is expected to slow to more of a sustainable pace over the second half of 2013 and into 2014, which is not necessarily a bad thing.

Mr. Temple stated that the Texas Workforce Commission will host 2013 Adult Basic Education Public Stakeholder meetings in our region. The meetings will be held on July 23, 2013 at 2:00 pm the Hotel Galvez in Galveston, TX and on July 24, 2013 at 9:00 am at the Galleria here in Houston. More information is on the handout.

In April, the Board adopted a list of High-Skill, High-Growth jobs for the region and a booklet was given to Board members. The booklet is being sent around the region to various employers, schools, etc.

Posters were displayed for the ‘When I Grow Up’ curriculum, which was started at the pre-K level and is now being used in elementary and middle schools by various school districts in the region. We will also be presenting at the state-wide Career and Technology Educators Conference and at the National Career and Technology Educators Conference.

Mr. Tony Jones spoke to the Board about his good experience with Westheimer Career office. Mr. Jones mentioned that the screen magnifiers used on the accessibility computers are not user friendly and new Software is being considered.

ADJOURN

There was no further business to come before the Board, the meeting was adjourned.

Audit/Monitoring Committee

Update for July 2013

Quality Assurance

We conduct quality assurance monitoring of all contractors and units in Workforce Solutions

- 1) to assess the system's operations and its compliance with laws, rules, and procedures, and
- 2) to identify areas for operational improvement.

A team, composed of Board staff and representatives from four of our major contractors, conducts quality assurance monitoring throughout the year.

The team observes operations, talks to customers, and reviews records in its work. The team focuses on customer service, compliance, and management issues.

This update is intended for use by the Audit and Monitoring Committee to assist in making recommendations to the Procurement Committee. It contains information on each current contractor.

Career Office

All career offices have been monitored, but all reports have not yet been issued, but the results are included in this report. The report spans three years of monitoring results.

Office rating definitions are:

Above Average

This means the office works well – providing customers with quality service while adequately addressing compliance requirements. There may be one or more elements of service that could be improved.

Average

This means the office delivers an acceptable level of service for customers and generally meets compliance requirements.

Below Average

This means the office does not deliver an acceptable level of service for customers and/or may fail to address one or more compliance requirements. There are critical elements of service which must be improved.

Interfaith of the Woodlands

Interfaith of The Woodlands operates Columbus, Conroe, Cypress Station, Humble, Huntsville, Sealy, Waller, Westheimer and Willowbrook. Interfaith also staffs an itinerant site at the Houston Public Library Ring Branch that has an acceptable rating.

The Cypress Station office has one of the highest volumes of customer traffic in our system. Humble and Westheimer, at times, have significant traffic. Conroe is a mid-sized office. The remaining offices are smaller, with fewer staff and less traffic.

- ✓ For the past three years, Waller and Humble have been above average once and Sealy has been above average twice.
 - Factors contributing to the above average rating include data improvement, good team work, customer service and communication.
 - In 2013, the team rated the Humble office as below average principally because the quality of the work applications and job postings had declined noticeably from the prior two years.

- ✓ For the past three years the following offices have rated average: Columbus, Conroe, Cypress Station, Huntsville, Westheimer and Willowbrook. Common issues at these offices are customer service related ones, including work application and job posting quality.
- ✓ Interfaith manages a regional team of facilitators from all three career office contractors. Team members travel to libraries, community centers, events, and agencies throughout the region to present Workforce Solutions' job search seminars to the general public. Interfaith has done a good job in managing this function and increasing the number of frequency of events for the general public.

Interfaith has a solid record of responding to and correcting quality assurance issues in a timely manner.

We would characterize the Interfaith organization as a strong contractor with a record of good performance over many years.

Neighborhood Centers, Inc.

Neighborhood Centers, Inc. (NCI) operates Astrodome, East End, Hobby, Northeast, Northline, Northshore, Pasadena and Southwest. NCI also staffs an itinerant site at the Houston Public Library's Downtown location. The offices were previously managed by Houston Works.

The offices NCI manages for us are among our largest and busiest locations.

- ✓ The East End office attained above average rating this year. Customers often recommend this location to acquaintances.
- ✓ For the past three years, Astrodome, Hobby, Northeast and Northshore have had average ratings.
 - Common issues are work application and job posting quality and some compliance record-keeping.
- ✓ Three years ago, Northline and Pasadena received a below average rating and Southwest received one last year.
 - The principal issue at these offices was slow customer service, including long lines or waits for attention.

NCI responds promptly and thoroughly to quality assurance issues and has worked diligently to improve operations in the offices it manages. In our opinion, NCI did an exceptional job of transitioning staff and facilities from Houston Works at the beginning of this contract year.

We would characterize NCI as a strong organization with the ability to manage Workforce Solutions offices and provide high quality service for customers.

ResCare Workforce Services

ResCare operates Bay City, Baytown, Katy Mills, Lake Jackson, Liberty, Rosenberg, Texas City, and Wharton. ResCare also staffs an itinerant site in Winnie (Chambers County).

The Texas City location is consistently a busy office, and the Baytown office sometimes receives high volume traffic. The other offices are smaller with less traffic. Katy Mills is a small, though full service, location linked to Rosenberg. Winnie is staffed from Baytown.

- ✓ For the past three years, Katy Mills, Liberty and Wharton have had average ratings.
- ✓ Bay City was below average three years ago, but has since improved.
- ✓ Lake Jackson, Rosenberg and Texas City have been rated below average in two of the last three years.
 - Each of these locations has had management problems. Rosenberg has had the most severe problems and has been the most difficult to correct.
 - Each of these locations has also exhibited problems with customer service, including attention to customers and adequate work applications. Lake Jackson has had difficulty working job postings.
- ✓ Baytown and Winnie (which is staffed from Baytown) also have been rated below average in two of the last three years.
 - ✓ Both of these locations have had to improve customer service, including the quality of work applications and level of effort working job postings.

ResCare has changed management at the office level frequently. This has not always helped the offices improve service.

ResCare has also changed its local, regional and national management during the past three years. Current management has listened closely to quality assurance and contract management suggestions and demonstrated a willingness to improve its operations. ResCare has not always been able to carry through with those improvements.

ResCare is a large, stable organization with a national scope and multiple lines of business, including workforce.

Employer Service

Employment and Training Centers, Inc. operates Workforce Solutions' Employer Service. This group of staff is primarily responsible for direct service to and on behalf of employers throughout the region.

ETC also organizes and staffs job fair events, represents Workforce Solutions in chambers of commerce and economic development organizations, and operates as the system's principal provider of outplacement.

During the past three years, ETC has had acceptable ratings for all quality assurance reviews.

- ✓ ETC has done an exceptional job with the NASA JSC aerospace transition center, working with NASA contractors and NASA itself. Through the work at this location, ETC has added information and ability to the entire system to help customers learn to effectively use social media in job search and has tested the use of online service.
- ✓ After a slow start, ETC has done a good job of offering on-the-job training for employers in the region.

ETC responds promptly to quality assurance issues or comments and has demonstrated an ability to improve its operations. ETC has also demonstrated over many years the ability to innovate and support improvement in the entire Workforce Solutions system.

ETC is a local for-profit organization with a long history of work for the Board.

Financial Aid Payment Office

Neighborhood Centers, Inc. operates the Financial Aid Payment Office (FAPO) – the central point for tracking financial aid and paying vendors.

FAPO:

- ✓ Maintains an accounting system for financial aid – the Financial Aid Management System or FAMS – that allows staff throughout the system to commit and authorize financial aid on behalf of customers. FAMS tracks commitments and expenditures for all non-child care related financial aid.
- ✓ Pays vendors for services on behalf of customers. This includes paying colleges, schools and other training institutions for education/training; service providers for a variety of support services; and early education/child care providers.
- ✓ Estimates and reports on system commitments and expenditures of financial aid dollars. This includes projections on expenditures.
- ✓ Serves as the system's vendor relations network, providing technical assistance for vendors.

FAPO also procures, distributes and reports on the cash substitutes Workforce Solutions uses to provide some kinds of financial aid (bus passes, gas cards, store cards).

During the past three years, NCI has had an acceptable rating for all quality assurance reviews of FAPO. Issues the team has identified needing improvement have included:

- Customer service. The staff at FAPO's central location has not always been accessible to vendors for service and technical assistance.
- Monitoring. FAPO has not always conducted appropriate or adequate levels of vendor monitoring, particularly for early education/child care providers.

NCI has operated FAPO for the Board since the inception of this unit. NCI has done a good job of managing a complex function that does not stand alone but is integrated into the other operating units of Workforce Solutions.

NCI management and the FAPO management are responsive to quality assurance recommendations and have worked to improve operations.

Financial Aid Call Centers

Interfaith of the Woodlands and ResCare both operate financial aid call centers.

These call centers determine eligibility for all financial aid to customers that exceeds \$200. This includes the financial aid we provide to parents and caretakers to help with early education/care expenses as well as scholarships for education and training.

In the current quarter, the Interfaith call center is averaging 22,700 calls per month and processing an average of 5,350 applications for financial aid. The ResCare call center is averaging 5,000 calls and processing 1,000 applications per month.

Both the Interfaith and ResCare call centers have acceptable ratings from quality assurance reviews. Over the past several years, the call center staff has worked to address service issues that include:

- Long wait times to answer calls, dropped calls, and returning voice mail promptly
- General customer service, including responsiveness to customers
- Ensuring FAX lines are available and operating
- Receiving and tracking documents to support financial aid applications
- Reducing the time process applications and streamlining application processing

Each call center provides operating and production data monthly through an internal report. ResCare has had difficulty in providing accurate data for these reports.

Training Young People for Work

We have two projects focused on service for youth. Gulf Coast Trades Center provides residential training, largely for youth in the juvenile justice system, in basic education and a limited number of occupational areas. SER-Jobs for Progress offers support for youth in finding jobs, completing school and getting occupational skills.

Both Gulf Coast Trades Center and SER have acceptable ratings from quality assurance reviews.

SER has recently had some difficulty in maintaining acceptable records, including records for eligibility determination, records documenting service, and records supporting outcomes.

Early Education and Care Quality

Collaborative for Children provides a wide range of quality improvement activities for early education/care vendors in our network, including one-on-one technical assistance from staff experienced in early education. Collaborative helps providers in our network work to achieve various quality accreditations, such as the Texas Rising Star certification.

Collaborative supports our customers by powering a database of early education/child care providers in the region that offers parents and others information about the provider that includes quality indicators. Collaborative also prepares inclusion plans for customers who have children with disabilities.

Collaborative has been a long time contractor for the Board and has performed well. Collaborative has generally met or exceeded its production goals in providing training, technical assistance, and materials.

| Workforce Solutions | | | | |
|------------------------------------|--------------------------|-------------------|------------|------------|
| Regional Quality Assurance Results | | | | |
| Summary 2011 to 2013 | | | | |
| Contract | Unit | 2013 | 2012 | 2011 |
| ETC | Employer Service | Acceptable | | Acceptable |
| Interfaith | Sealy | Above | Above | Average |
| Interfaith | Waller | Above | Average | Average |
| Interfaith | Interfaith Call Center | Acceptable | Acceptable | |
| Interfaith | Ring Library | Acceptable | | |
| Interfaith | Columbus | Average | Above | Average |
| Interfaith | Conroe | Average | Average | Average |
| Interfaith | Cypress | Average | Average | Average |
| Interfaith | Huntsville | Average | Average | Average |
| Interfaith | Westheimer | Average | Average | Average |
| Interfaith | Willowbrook | Average | Average | |
| Interfaith | Humble | Below | | Above |
| NCI | East End | Above | Average | Average |
| NCI | Downtown Library | Acceptable | | |
| NCI | FAPO | Acceptable | Acceptable | Acceptable |
| NCI | Astrodome | Average | Above | Average |
| NCI | Hobby | Average | Average | Average |
| NCI | Northeast | Average | Average | |
| NCI | Northline | Average | Average | Below |
| NCI | Northshore | Average | Average | Average |
| NCI | Pasadena | Average | Average | Below |
| NCI | Southwest | Average | Below | Average |
| ResCare | ResCare Call Center | Acceptable | Acceptable | |
| ResCare | Bay City | Average | Average | Below |
| ResCare | Katy Mills | Average | Average | |
| ResCare | Lake Jackson | Average | Below | Below |
| ResCare | Liberty | Average | Average | Average |
| ResCare | Wharton | Average | Average | Average |
| ResCare | Baytown | Below | Below | Average |
| ResCare | Rosenberg | Below | Below | Average |
| ResCare | Texas City | Below | Average | Below |
| ResCare | Winnie | Below | Below | Average |
| | | | | |
| | Gulf Coast Trades Center | | Acceptable | |
| | SER-Jobs for Progress | Needs Improvement | Acceptable | |

Financial Systems

We review contractors' accounting policies and procedures, financial system controls and transactions, personnel policies and procedures, payroll, procurement, inventory, financial reporting/billing, cost allocation, and cash management. We conduct an annual systems review and more frequent billings reviews.

Our contractors are subject to rules and procedures that generally govern federal/state dollars, as well as some requirements specific to a particular funding source or grant.

While we often have findings and observations in financial monitoring reports, currently we have no outstanding or unresolved findings or questioned costs for seven on the eight contractors listed above.

We have issued a report for SER-Jobs for Progress for the current year review. SER has a deadline later this month to respond to the report.

Procurement Committee

Workforce Solutions 2014 Operations Funding Recommendations

The Board's Procurement Committee met on Thursday, July 18, 2013 at the Westin Oaks Hotel in The Galleria. Members present included Mark Guthrie, Board and committee chair, Evelyn Timmins, committee vice chair, and Tony Jones, Sara Bouse, Allene Schmitt, John Hebert, Willie Alexander, Karlos Allen, Gil Staley and Joe Garcia, Board vice chair.

Members heard brief presentations from all 16 proposers and asked questions of each proposer.

Proposals

We received 18 separate requests from 16 bidders requesting about \$108 million.

- We had two organizations offer projects to improve the quality of early education and child care in the region. Both proposers have recent Gulf Coast contracts.
- Three bidders submitted four proposals to deliver service for young people. Two of the proposers have current contracts with the Board, and the third is a national contractor and first time proposer in our region.
- The Financial Aid Payment Office had one proposal—from Neighborhood Centers, the current contractor
- Employer Service had three proposals, the first time we have had competitive bids for this service.
- We received two proposals for the single Financial Aid Call Center we recommend establishing. Both of the bidders operate call centers for us now.
- Finally, there were six organizations submitting proposals to operate our 25 local career offices. Three of the six are new bidders.

Revenue Estimates

Overall, we expect our revenue for system operations to be \$2 million less next year, dropping from about \$175 million to \$173 million. The largest portion of the loss comes from the sequestration of Workforce Investment Act funds, one of our most flexible funding sources.

- We have slightly more Child Care and Development funds, the result of a change in state law that has increased requirements for investing in early education quality activities and rates paid to Texas Rising Star early education/care providers.
- We also had small increases in other sources of our base operating revenue, but none of those was enough to offset the loss from sequester of workforce investment money.
- Other changes are possible in our base revenue depending upon actions at the federal level. Currently funds for employment support of Supplemental Nutrition Assistance (food stamp) recipients are yet to be approved.

Recommendations

Through these recommendations for 2014 contracts, the committee wants to ensure that

1. Service is available throughout the region so that employers can meet their human resource needs and individuals can build careers.
2. Workforce Solutions offices and units deliver high quality service that offers value for our customers.
3. Sufficient financial aid funds are available to support customers as they work to get a job, keep a job, or get a better job.
4. The regional workforce system helps achieve the Board's desired results and meets or exceeds the Board's performance measures and state and federal production standards.

Early Education and Care

We recommend funding both proposals at requested levels.

We have good experience with both contractors in the current and previous years. Collaborative for Children is an active member in the region's community of organizations working to improve the quality of early education and care. CC has done a good job for the Board in providing technical assistance to providers and their staffs, providing a valuable information and referral service region wide for parents, and in raising the matching funds we need. TAEYC has successfully operated a small scholarship program to help early education teachers advance their skills in working with children.

The Legislature made changes this year that sets a minimum level of required funding for early education quality improvement activities. We recommend moving about \$700,000 from our financial aid pool to not only meet, but exceed, the minimum required effort.

Helping Young People Excel

We recommend funding all three proposers for this service.

We have had positive experiences with Gulf Coast Trades Center and SER-Jobs for Progress; both submitted proposals to continue and expand on what they do currently for the Board. Dynamic Educational Systems, Inc. is a for-profit provider with a good track record of providing services to youth in other areas of the country. DESI submitted two proposals: one in Harris County, and one for the surrounding 12 counties.

We are recommending reduced funding for all three bidders, but only for three projects.

- We would ask DESI to work in Austin, Brazoria, Colorado, Fort Bend, Galveston, Matagorda, Waller, and Wharton counties. We think DESI may bring some new ideas to an area in which we struggle to be relevant in young people's lives.
- We would ask SER to work in Chambers, Harris, Liberty, Montgomery and Walker counties.
- We would increase funding to Gulf Coast Trades Center over the current year, but not fund at the proposed level.

We will realize about \$37,000 of the savings we need to meet our expected revenue target for 2014 through these recommendations. As always, we would negotiate funding, service levels and service areas with these proposers before continuing.

Financial Aid Payment Office

We are recommending funding the one proposal we received at a slightly reduced level.

Neighborhood Centers, Inc. has operated the Workforce Solutions financial aid payment office since its inception. We are pleased with NCI's performance and believe it has managed the system's financial aid dollars well.

The Payment Office manages our financial aid dollars, proposed at a level of \$126 million for 2014. This includes payments to early education/care providers; payments to colleges, schools and universities providing education and training; and payments to vendors providing transportation and various other kinds of support for customers going to work or working.

Our recommendation saves \$116,000 over current operations.

Employer Service

We recommend funding the current contractor at essentially the same level as the current year.

We received proposals from three bidders to provide Employer Service: Employment & Training Centers, Inc. (ETC); Educational Data Systems, Inc. (EDSI); and Manpower Group Public Sector, Inc.

- EDSI sent a strong proposal and had excellent references from workforce boards in New York City, Chicago, and Philadelphia. We have several concerns about the organization's financial stability that lead us to not recommend contracting with it at this time.
- Manpower is a strong company with an international presence. Unfortunately we did not think the proposal provided sufficient detail about how Manpower would deliver the full range of service we requested.
- ETC's proposal included additional funds to manage the job order posting and filling function that is currently staffed in the career offices. We believe this work is more cost effective, more closely supervised, and better connected as it is currently staffed, and do not recommend moving responsibility to Employer Service.

ETC has developed strong relationships in our employer and economic development communities. ETC consistently performs well on assigned special projects, such as the Aerospace and BAE transition centers, Texas Back-to-Work, and our on-the-job training service.

We would negotiate staffing, job duties and budget from the proposal we received, with some savings over the current contract level to contribute toward meeting the 2014 revenue target.

Financial Aid Call Center

We recommend funding Interfaith to operate a single financial aid call center for Workforce Solutions.

Interfaith has done a good job taking over the Houston Works career office customer requests for financial aid in addition to handling those from Interfaith-managed offices. Interfaith has had about a year of experience already managing essentially a region-wide call center with high volume.

ResCare has done an acceptable job in operating a call center for its offices; however we believe Interfaith has a stronger group of managers and is less costly. Interfaith also has experience with high call volumes and large application volumes that ResCare does not.

Equipment and data management systems from both of the current call centers remain available for use by the Board's operators.

We are recommending committing about 11% more resources to this function than we have contracted in the current year. This would allow us to improve processing times and service for our customers.

Career Offices

We are recommending contracting with two of the six proposers to operate 24 local offices.

- To realize necessary savings, we are proposing consolidating the Hobby and Pasadena locations into one office, Southeast, and moving it to a more accessible spot on I-45.
- Also, to realize savings we need, we are proposing ending our long-time relationship with ResCare.
 - Interfaith and Neighborhood Centers were our top scoring proposers. Overall, their performance is superior to ResCare.
 - ResCare has had continuing problems providing good customer service in the offices it manages. Management changes have not resulted in improvement.
 - ResCare is our most expensive contractor. Its current and proposed overhead costs are higher than that of our current contractors and other proposers.
 - We will save more than \$1 million by using two contractors to perform the system's major functions. This will allow us to keep offices open in all 13 counties and maintain financial aid support for customers at current levels.

- Our recommendations for office assignments are

| | |
|----------------------|---|
| Interfaith | 13 offices: Columbus, Conroe, Cypress, Huntsville, Humble, Sealy, Waller, Westheimer (Ring Library), Willowbrook, Bay City, Katy Mills, Liberty, and Wharton |
| Neighborhood Centers | 11 offices: Astrodome (Downtown Library), East End, Northeast, Northline, Northshore, Southeast (Hobby +Pasadena), Southwest, Baytown (Winnie), Lake Jackson, Rosenberg, and Texas City |

We would negotiate budgets and staffing levels for career office operations, and as we have in past consolidations, work to transition as many of the staff as want to stay in the system when we change contractors.

Action

Request the Board authorize staff to negotiate contracts for 2014 Workforce Solutions system operations with organizations and in amounts shown on the attached schedule.

Workforce Solutions System Operations 2014 Recommendations for Funding

| | Current | Proposed | Recommend | Change |
|-------------------------------------|----------------------|-------------------|----------------------|------------|
| Early Education & Care | | | | |
| Collaborative for Children | \$ 2,238,582 | \$ 3,000,000 | \$ 3,000,000 | |
| TAEYC | 22,000 | 51,744 | 51,000 | |
| Subtotal | 2,260,582 | 3,051,744 | 3,051,000 | 35% |
| Helping Young People | | | | |
| Gulf Coast Trades | \$ 281,250 | \$ 327,405 | \$ 282,000 | |
| Dynamic Education | - | 1,584,199 | 240,000 | |
| SER | 558,000 | 1,413,442 | 480,000 | |
| Goodwill | 198,500 | - | - | |
| Subtotal | 1,037,750 | 3,325,046 | 1,002,000 | -3% |
| Financial Aid Payment Office | | | | |
| Neighborhood Centers | \$ 3,366,000 | \$ 3,283,574 | \$ 3,250,000 | |
| Subtotal | 3,366,000 | 3,283,574 | 3,250,000 | -3% |
| Employer Service | | | | |
| ETC | \$ 5,548,538 | \$ 8,330,524 | \$ 5,500,000 | |
| Manpower | - | 5,212,548 | - | |
| EDSI | - | 4,996,254 | - | |
| Subtotal | 5,548,538 | 18,539,326 | 5,500,000 | -1% |
| Financial Aid Call Center | | | | |
| Interfaith | \$ 2,858,804 | \$ 4,460,352 | \$ 4,310,000 | |
| ResCare | 1,011,088 | 4,480,025 | - | |
| Subtotal | 3,869,892 | 8,940,377 | 4,310,000 | 11% |
| Career Offices | | | | |
| Interfaith | \$ 9,576,531 | \$ 11,124,746 | \$ 11,601,000 | |
| Neighborhood Centers | 15,304,170 | 15,144,937 | 18,195,000 | |
| ResCare | 7,229,311 | 16,266,486 | - | |
| KRA | - | 11,096,454 | - | |
| Dynamic Workforce | - | 9,231,690 | - | |
| Career & Recovery Resources | - | 8,493,546 | - | |
| Subtotal | 32,110,012 | 71,357,859 | 29,796,000 | -7% |
| Career Offices + Call Center | 35,979,904 | 80,298,236 | 34,106,000 | -5% |
| | | | | |
| Total System Operations | \$ 48,192,774 | | \$ 46,909,000 | -3% |
| Total Financial Aid | 127,000,000 | | 126,208,000 | -1% |
| Total, All | 175,192,774 | | 173,117,000 | -1% |

Gulf Coast Workforce Board
System Performance
October 2012 to June 2013

Board Measures

These measures gauge progress toward meeting the results set out in the Board's strategic plan. There are two sets of measures: one for the entire regional workforce system and one for the Board's operating affiliate, Workforce Solutions.

We report on the Workforce Solutions measures at each Board meeting.

More Competitive Employers

| Measure | Annual Target | Current Performance | Performance Last Year |
|---|---------------|---------------------|-----------------------|
| <u>Employers Receiving Services</u> (Market Share) We expect to provide services to 24,591 employers this year which is almost 18% of the 138,150 employers identified for the Gulf Coast area. We provided services to 21,657 employers through June. | 17.8% | 15.7% | 17.1% |
| <u>Employer Loyalty</u> Our performance indicates our employer customers value our services and return to us for additional services. Of a possible 19,099 employers, 9,913 returned to Workforce Solutions for additional services through April. | 58.0% | 51.9% | 51.6% |

More and Better Jobs

| Measure | Annual Target | Current Performance | Performance Last Year |
|--|---------------|---------------------|-----------------------|
| <u>New jobs created</u> This information is captured quarterly and reflects a two year average. | 2,200 | 2,796 | 2,671 |
| <u>Customers employed by the 1st Qtr after exit</u> Reporting for three quarters ending June 2012, 185,303 of the 259,702 customers who exited from services were employed by the quarter after exit. | 80% | 71.4% | 69.9% |

Higher Real Incomes

| Measure | Annual Target | Current Performance | Performance Last Year |
|---|---------------|---------------------|-----------------------|
| <u>Exiters with Earnings Gains of at least 20%</u> Reporting for three quarters ending December 2011, 82,041 of the 166,202 customers who exited had earnings gains of at least 20%. | 42% | 49.4% | 43.9% |

A Better Educated Workforce

| Measure | Annual Target | Current Performance | Performance Last Year |
|--|---------------|---------------------|-----------------------|
| <u>Customers pursuing education diploma, degree or certificate who achieve one</u> Reporting through June 2013, 1,401 of the 3,668 customers pursuing an education diploma, degree or certificate achieved one. | 37% | 38.2% | 31.0% |

Production

In addition to the Board's measures, Workforce Solutions works to meet the state's expectations for performance on indicators related to the money we receive from the Texas Workforce Commission.

For the performance year that began October 1, 2012, we are meeting or exceeding the target for six of ten measures. The four measures we are not meeting are:

- Total Job Postings Filled. The target for this measure is 32.1%. Our performance for three quarters (1/12-9/12) is 24.2%.
- Total Education Achievement. The target for this measure is 78.6%. Our performance for four quarters (10/11 – 9/12) is 70.7%.
- Choices Full Work Rate. This measure looks at the percent of customers receiving TANF benefits who are employed. The target for this measure is 43.0%. Our performance through June is 34.7%.
- Average Number of Children Served per Day (Child Care). The target for this measure is 22,942. The average through June is 20,764. We are about 2,100 children under enrolled and are working to increase our enrollment.

We continue to work closely with our contractors to improve performance on all measures.

GULF COAST WORKFORCE DEVELOPMENT BOARD
FINANCIAL STATUS REPORT
For the Six Months Ended June 30, 2013

| | ANNUAL BUDGET | BUDGET YEAR TO DATE | ACTUAL YEAR TO DATE | DOLLAR VARIANCE |
|---------------------------|--------------------------|--------------------------------|--------------------------------|----------------------------|
| WORKFORCE REVENUES | | | | |
| WORKFORCE REVENUES | 174,555,600 | 87,441,150 | 87,261,069 | 180,081 |

WORKFORCE EXPENDITURES

| | | | | |
|--|--------------------|-------------------|-------------------|----------------|
| BOARD ADMINISTRATION | 4,270,128 | 2,135,064 | 1,754,503 | 380,561 |
| SYSTEM IT | 759,648 | 379,824 | 77,041 | 302,783 |
| EMPLOYER SERVICES | 6,373,402 | 3,186,701 | 2,706,406 | 480,295 |
| RESIDENT SERVICES | 163,152,422 | 81,739,561 | 82,723,119 | (983,558) |
| OFFICE OPERATIONS | 42,320,985 | 21,160,493 | 19,310,101 | 1,850,392 |
| FINANCIAL AID | 119,851,337 | 59,925,669 | 63,126,703 | (3,201,035) |
| SPECIAL PROJECTS | 980,100 | 653,400 | 286,315 | 367,085 |
| <i>TOTAL WORKFORCE EXPENDITURES</i> | 174,555,600 | 87,441,150 | 87,261,069 | 180,081 |

VARIANCE ANALYSIS

Note: Except for Special Projects that are currently funded through September 30, 2012, the "Budget Year to Date" column reflects straight line estimate of expenditures for the twelve-month period, assuming equal expenditures every month in order to fully expend the budget in a year. The Special Projects budget is a straight-line estimate of the budget over the nine month period January to September 2013.

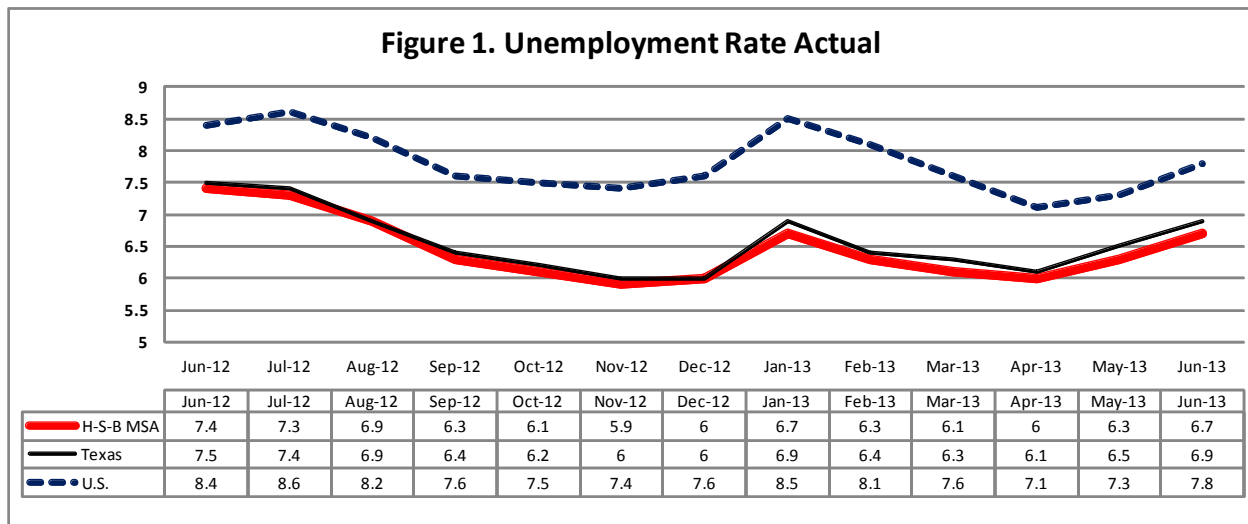


Labor Market Information
JUNE 2013 Employment Data

HOUSTON-SUGAR LAND-BAYTOWN METROPOLITAN STATISTICAL AREA (H-S-B MSA)

Visit our website at www.wrksolutions.com

THE RATE OF UNEMPLOYMENT IN THE HOUSTON-SUGAR LAND-BAYTOWN METROPOLITAN STATISTICAL AREA (H-S-B MSA) ROSE FOUR-TENTHS OF A PERCENTAGE POINT TO 6.7 PERCENT IN JUNE. A rise in the unemployment rate is normal for the month of June as high school and college students enter the workforce. The current rate is seven-tenths of a percentage point lower than it was one year earlier and lower than both the state's 6.9 percent rate and the nation's 7.8 percent rate, see figure 1.



THE HOUSTON-SUGAR LAND-BAYTOWN MSA EXPERIENCES ITS STRONGEST JUNE INCREASE SINCE 2007 ADDING 16,300 JOBS TO PAYROLLS OVER THE MONTH. Most major industry sectors saw payroll increases. Seasonal hiring in Leisure and Hospitality accounted for the largest portion of the increase, up 8,600 jobs or 3.2 percent. Strong gains were also found in Mining & Logging, Construction, Information, Financial Activities, and Professional and Business Services.

THE HOUSTON-SUGAR LAND-BAYTOWN MSA ADDED JOBS AT A RATE OF 3.6 PERCENT IN JUNE, AN ADDITION OF 97,700 JOBS OVER THE YEAR. Additionally, preliminary estimates for May were revised reporting that the H-S-B MSA was up 3.6 percent over the year instead of the originally estimated 3.4 percent. Nearly all major sectors were reporting over-the-year job gains. Strongest growth was in Mining and Logging, Construction, Machinery Manufacturing, Architectural Engineering and Related Services, Employment Services, Ambulatory Health Care Services (where employment in all types of medical offices is found), and Leisure and Hospitality. The only super sector reporting a loss was Other Services where job growth has slowed over the last two months. The pace of job growth in Government continued to gain strength in June with most of the growth found in Local Government Educational Services.

Additional details by super sector are provided beginning on page 3.

**Figure 2. Current Employment Statistics
Actual Over-The-Year Increase/Decrease**

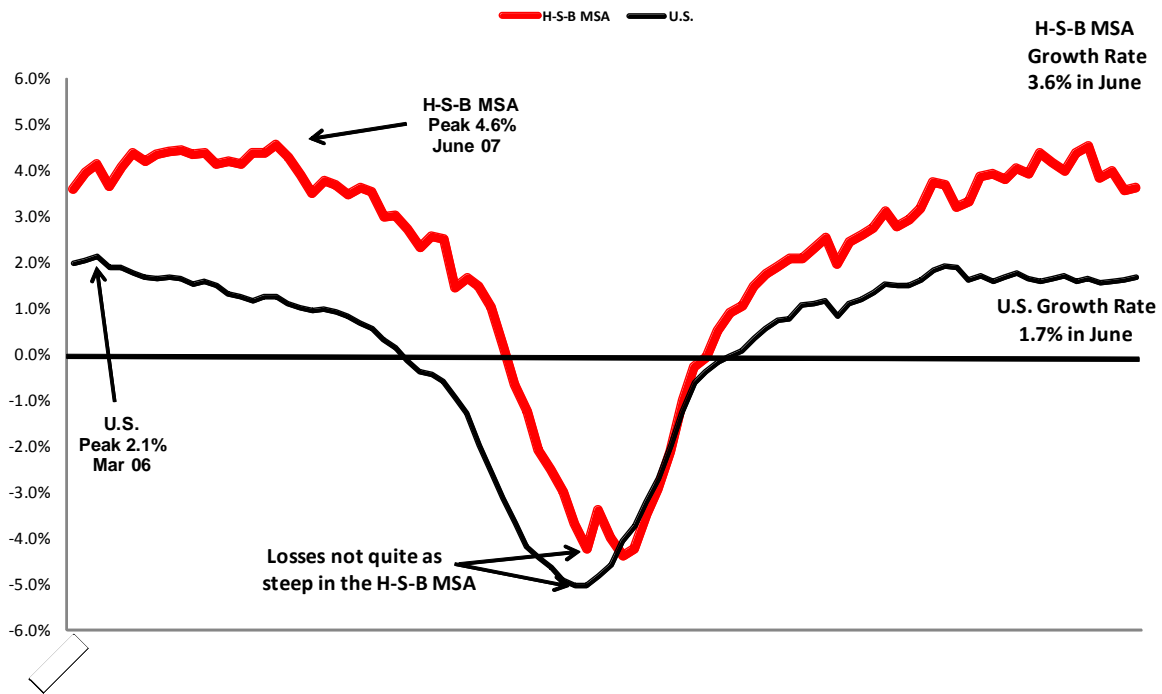
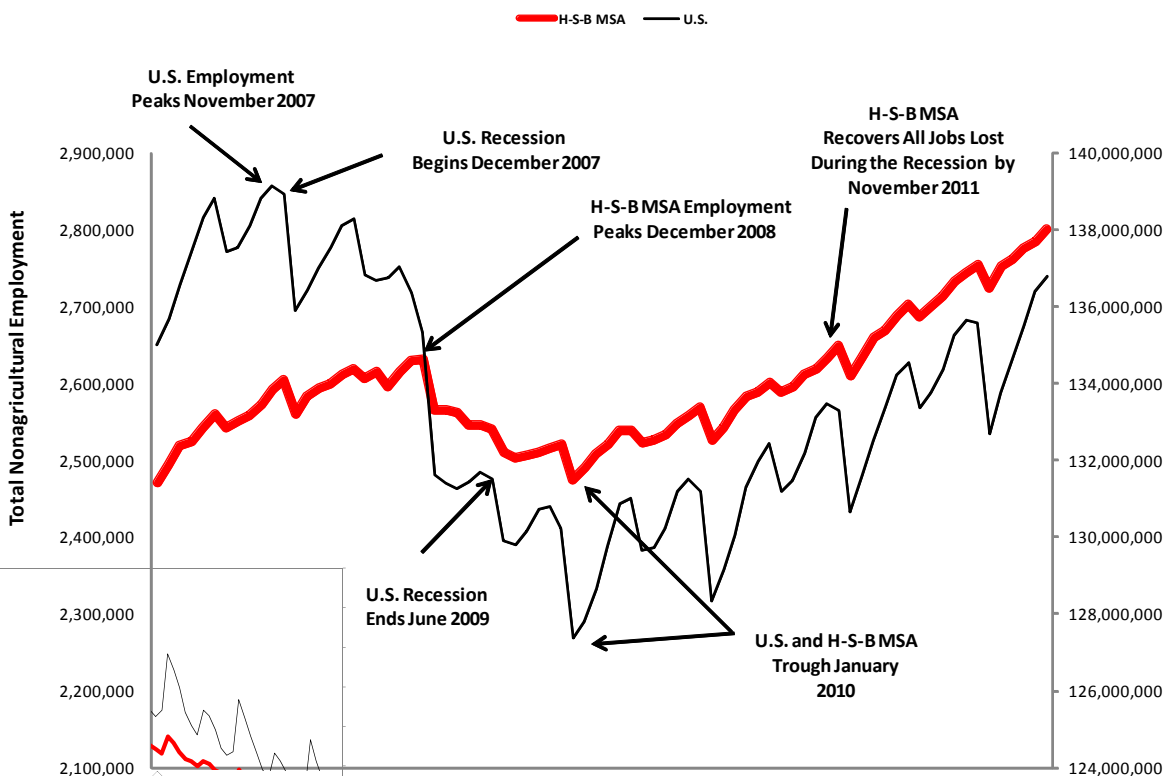
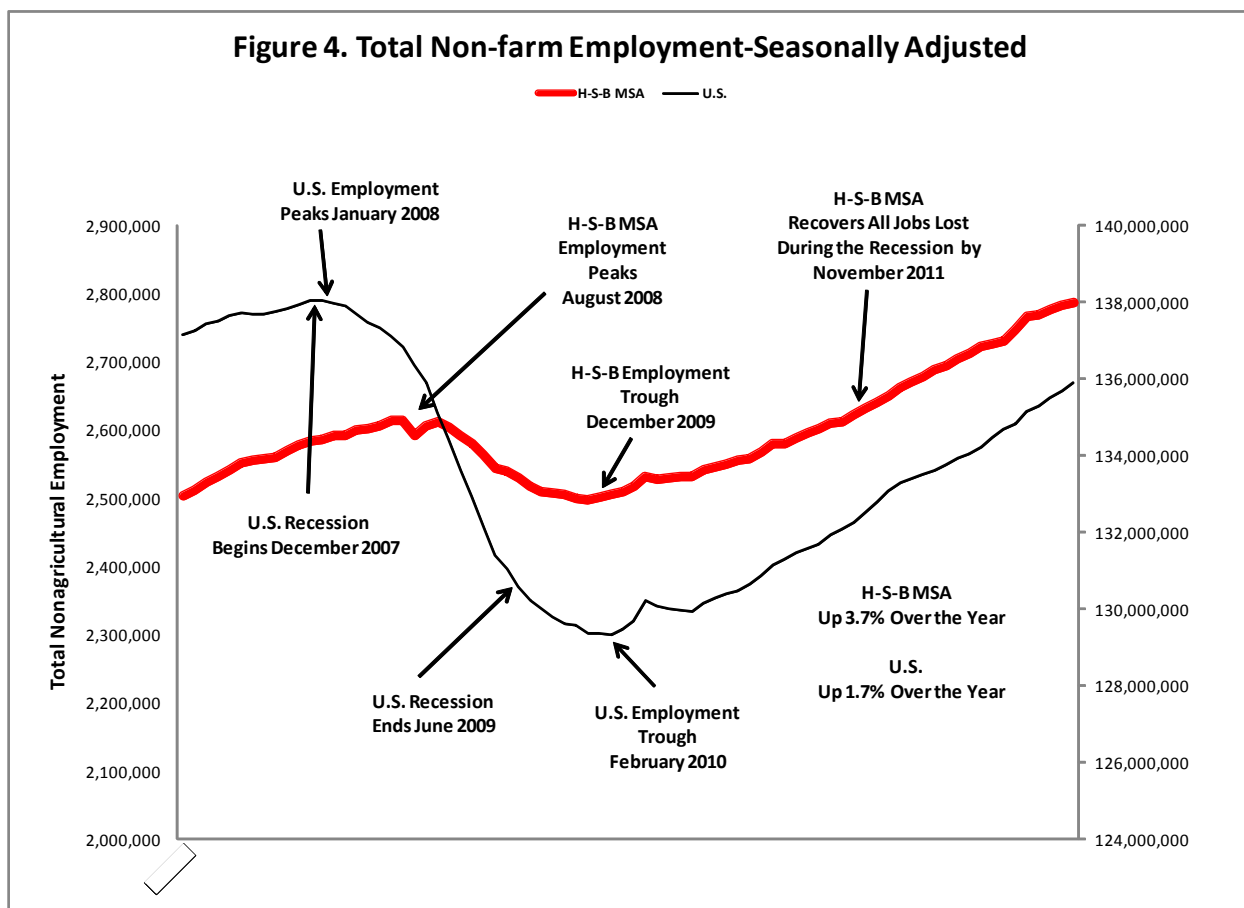


Figure 3. Total Non-farm Employment-Actual





Seasonally adjusted data for the H-S-B MSA and U.S. seen in figure 4 provides an additional view of employment removing the erratic seasonal movement. The H-S-B MSA recovered all jobs lost since the beginning of the recession by November 2011 and has since added 172,200 jobs to payrolls, an increase of 6.6 percent. Employment for the U.S. is still down 1.6 percent needing to recover 2,154,000 jobs to reach pre-recession levels.

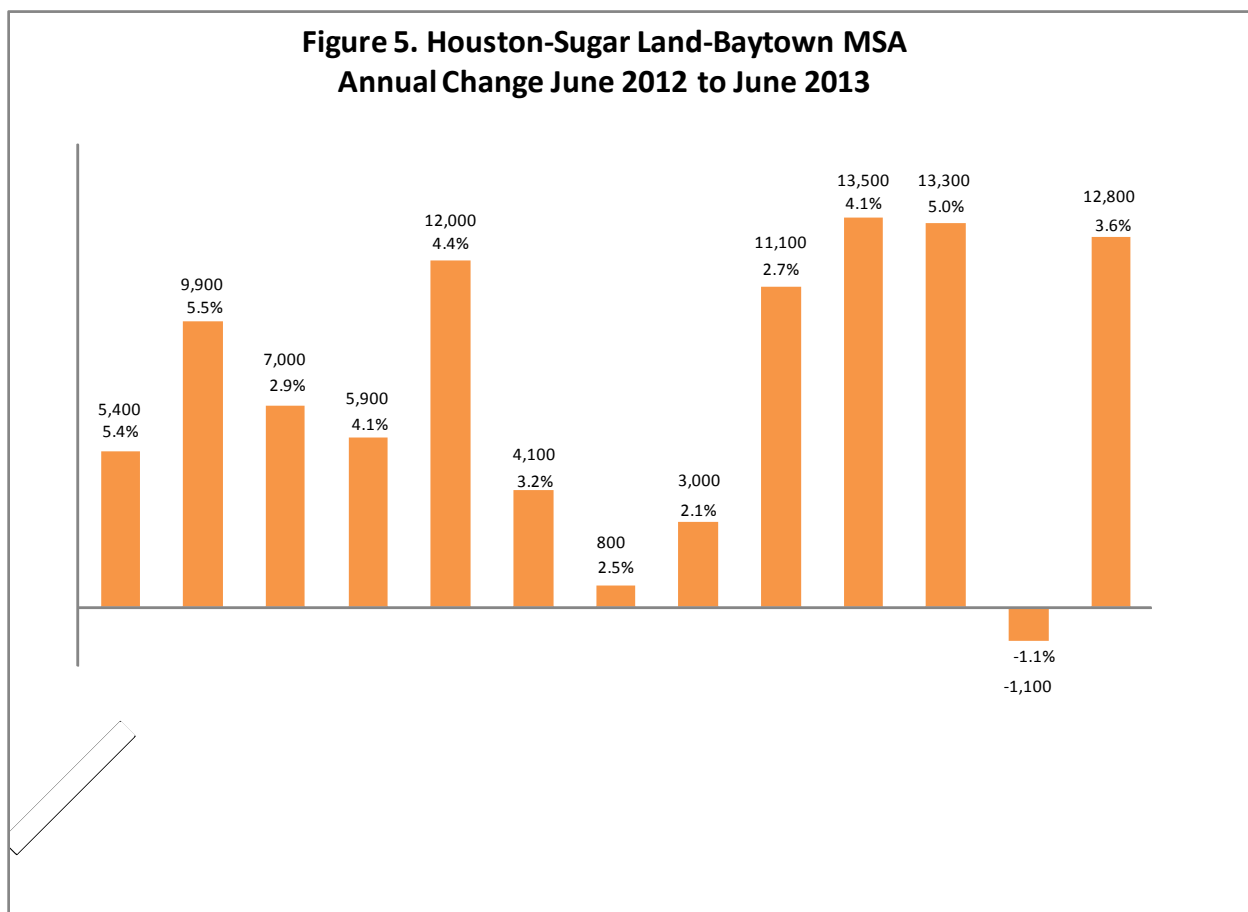
DETAILS BY SUPER SECTOR

Mining and Logging added 800 jobs to payrolls in June. Job gains so far in 2013 have been smaller than what they were in 2012 with the super sector currently reporting an increase of 5,400 jobs over the year. Smaller job gains have resulted in a declining over-the-year rate of job growth, currently up 5.4 percent compared to 9.4 percent in January. Employment levels in Mining and Logging are, however, at all-time highs according to data going back to 1990. Job growth has been in both Oil and Gas Extraction, up 3,300 jobs or 6.1 percent, and Support Activities for Mining, up 1,900 jobs or 4.1 percent. The average U. S. rig count dropped by 6 in June to 1,751 and is down 211 from May 2012. Oil directed drilling continues to account for the majority of all drilling and rigs engaged in natural gas drilling have recently fallen to their lowest levels since 1995. Drilling in the Permian Basin and Eagle Ford Shale regions have helped make Texas a major player in the U.S. accounting for one-fourth of all rig activity. With recent increases in oil prices above \$100 per barrel drilling activity should remain at high levels if not increase.

Construction added 1,900 jobs in June, up 1.0 percent. The majority of the increase was at Specialty Trade Contractors, up 1,300 jobs or 1.4 percent. Construction added 9,900 jobs over the year with employment reaching its highest level since March 2009. The 5.5 percent increase was an improvement from May's 5.1 percent rate. Over-the-year job gains are found across the entire

industry but strongest growth has been in Heavy and Civil Engineering Construction where demand has been vigorous from the energy industry, up 3,600 jobs or 8.1 percent. Construction of Buildings was up 2,500 jobs or 5.4 percent and Specialty Trade Contractors was up 3,800 jobs or 4.3 percent. In the housing market, the numbers of closings and median prices have been up while inventories have gone down. The outlook for construction as a whole remains positive for 2013 although recent increases in interest rates have caused some concern of its possible impact on activity.

Manufacturing added 1,000 jobs over the month with increases found at both durable and nondurable goods manufacturers. While Manufacturing continues to add jobs, the pace of growth has slowed considerably from what it was over the second half of 2011 and all of 2012 adding 7,000 jobs over the year, up 2.9 percent compared to a 7.5 percent increase last June. Most of the increase has been in Durable Goods Manufacturing where many companies that support the energy sector are found, up 6,200 jobs or 3.8 percent. The largest gains were in Fabricated Metal Product Manufacturing, up 2,300 jobs or 4.1 percent, and Machinery Manufacturing, up 3,700 jobs or 6.8 percent. Computer and Electronic Product Manufacturing posted the only decline, down 200 jobs or 1.1 percent. Nondurable Goods Manufacturing was reporting an increase of 800 jobs over the year, up 1.0 percent. Following several months of declines, the Houston Purchasing Managers was unchanged at 57.1 in June indicating a more stabilized outlook in the months ahead. Any index over 50 indicates production gains over the near term.



Trade Transportation & Utilities added 3,100 jobs to payrolls over the month, up 0.5 percent. June increases were found across most areas within the super sector. The only decline in June was a seasonal loss of 1,200 jobs in Building Material and Garden Equipment and Supplies Dealers, down 5.7 percent. The Trade Transportation & Utilities super sector was up 22,000 jobs or 4.0 percent

over the year. Retail Trade accounted for more than half of the increase with payrolls up 12,000 jobs or 4.4 percent over the year. Wholesale Trade was up 5,900 jobs or 4.1 percent over the year. The pace of job growth in Transportation, Warehousing and Utilities improved for the second straight month, up 4,100 jobs or 3.2 percent over the year compared to 2.0 percent in April. The area of job growth that continues to stand out in Transportation, Warehousing, and Utilities is Truck Transportation, up 1,100 jobs or 4.6 percent, where demand has been strong due to energy related activity in the region. Utilities and Air Transportation were reporting a combined loss of 800 jobs.

Employment in **Information** was up 400 jobs in June and 800 jobs or 2.5 percent over the year. About half of the MSA's employment in information resides in telecommunications with the remainder found in newspaper and periodical publishing, software publishing, motion picture and sound recording, and data processing hosting and related services.

Financial Activities experienced a strong increase of 1,900 jobs over the month with job gains widespread across the super sector, up 1.3 percent. The pace of over-the-year job growth in the super sector improved to its highest rate since June 2012, currently up 2.1 percent or 3,000 jobs. More than half of the increase was in Real Estate and Rental and Leasing, up 1,600 jobs or 3.1 percent. An improving housing market and strong energy activity continues to drive activity in the Financial Activities super sector. The outlook for Financial Activities remains positive for 2013 although recent increases in interest rates have caused some concern of its possible impact on activity.

Professional and Business Services added 3,400 jobs over the month, up 0.8 percent. May employment estimates were revised sharply indicating last month's job growth was stronger than originally thought. The super sector continues to add jobs but not at the rapid pace seen in 2011 and 2012, currently up 11,100 jobs or 2.7 percent. More than half of the increase was in Employment Services, up 6,100 jobs or 8.2 percent, where staffing firms report that high-level IT workers and engineering project managers were in high demand. Architectural, Engineering, and Related Services continues to report strong gains as well, up 5,400 jobs or 8.2 percent over the year. The only area to report an over-the-year loss was Accounting, Tax Preparation, Bookkeeping, and Payroll Services, down 400 jobs or 2.0 percent.

Education and Health Services experienced a slight loss of 400 jobs in June. Job gains in Health Care and Social Assistance, up 300 jobs, were offset by declines in Educational Services, down 700 jobs. Educational and Health Services added 13,500 jobs over the year, up 4.1 percent. More than half of the increase was in Ambulatory Healthcare Services, where employment in all types of medical offices is found, up 8,100 jobs or 6.1 percent. Hospitals added 2,900 jobs over the year, up 3.9 percent. The pace of job growth in Educational Services slipped as a result of this month's decline, currently up 1,300 jobs or 2.9 percent over the year. An aging population and a population growth rate that more than doubles that of the nation is responsible for growth in the super sector.

May estimates for **Leisure and Hospitality** were revised sharply indicating an over-the-month increase as opposed to the originally estimated loss. Leisure and Hospitality added 8,600 jobs in June as a result of strong seasonal gains found across the entire super sector, up 3.2 percent. The pace of job growth in Leisure and Hospitality stabilized as a result of revisions and this month's increase, currently up 13,300 jobs or 5.0 percent over the year. Most of the job growth has been in Food Services and Drinking Places, up 10,700 jobs or 5.1 percent. Like many other industries in the H-S-B MSA, population growth continues to be the driving factor to job gains in the super sector.

May estimates for **Other Services** were revised lower indicating a larger loss than originally estimated. June estimates indicate a slight increase of 200 jobs, the smallest June increase on record according to data going back to 1990. Considering the volatility of monthly estimates only time will tell if job growth is as weak as current estimates indicate. The super sector is reporting a loss of

1,100 jobs over the year, down 1.1 percent. Other Services includes, as a partial list, industries such as various repair services, personal care services, dry cleaning and laundry services, and religious and social advocacy organizations.

Government was down 4,600 jobs in June as a result of seasonal declines in State and Local Government. This was the smallest seasonal decline on record since June 1992. Government added 12,800 jobs over the year, up 3.6 percent, with the rate of job growth rising to its highest level since June 2010. Most of the increase was in Local Government Educational Services, up 11,100 jobs or 6.1 percent.

NONAGRICULTURAL EMPLOYMENT

Houston-Sugar Land-Baytown MSA

| | JUN 2013 | Month Change | | Year Change | |
|---|-----------|--------------|---------|-------------|---------|
| | | Net | Percent | Net | Percent |
| Total Nonfarm | 2,800,600 | 16,300 | 0.6% | 97,700 | 3.6% |
| Total Private | 2,428,500 | 20,900 | 0.9% | 84,900 | 3.6% |
| Goods Producing | 546,500 | 3,700 | 0.7% | 22,300 | 4.3% |
| ..Mining and Logging | 106,300 | 800 | 0.8% | 5,400 | 5.4% |
| ...Oil and Gas Extraction | 57,300 | 900 | 1.6% | 3,300 | 6.1% |
| ...Support Activities for Mining | 47,700 | 100 | 0.2% | 1,900 | 4.1% |
| ..Construction | 188,600 | 1,900 | 1.0% | 9,900 | 5.5% |
| ...Construction of Buildings | 48,900 | 100 | 0.2% | 2,500 | 5.4% |
| ...Heavy and Civil Engineering Construction | 48,000 | 500 | 1.1% | 3,600 | 8.1% |
| ...Specialty Trade Contractors | 91,700 | 1,300 | 1.4% | 3,800 | 4.3% |
| ..Manufacturing | 251,600 | 1,000 | 0.4% | 7,000 | 2.9% |
| ...Durable Goods | 171,400 | 600 | 0.4% | 6,200 | 3.8% |
| ...Fabricated Metal Product Manufacturing | 58,700 | 300 | 0.5% | 2,300 | 4.1% |
| ...Machinery Manufacturing | 58,100 | 700 | 1.2% | 3,700 | 6.8% |
|Agriculture, Construction, and Mining Machinery Manufacturing | 42,500 | 600 | 1.4% | 1,800 | 4.4% |
| ...Computer and Electronic Product Manufacturing | 18,800 | 200 | 1.1% | -200 | -1.1% |
| ...Non-Durable Goods | 80,200 | 400 | 0.5% | 800 | 1.0% |
| ...Petroleum and Coal Products Manufacturing | 12,400 | 200 | 1.6% | 200 | 1.6% |
| ...Chemical Manufacturing | 35,600 | 200 | 0.6% | 400 | 1.1% |
| Service Providing | 2,254,100 | 12,600 | 0.6% | 75,400 | 3.5% |
| ..Private Service Providing | 1,882,000 | 17,200 | 0.9% | 62,600 | 3.4% |
| ..Trade, Transportation, and Utilities | 569,800 | 3,100 | 0.5% | 22,000 | 4.0% |
| ...Wholesale Trade | 151,100 | 600 | 0.4% | 5,900 | 4.1% |
|Merchant Wholesalers, Durable Goods | 89,100 | 100 | 0.1% | 3,100 | 3.6% |
|Professional and Commercial Equipment and Supplies Merchant | 10,600 | 100 | 1.0% | 100 | 1.0% |
|Merchant Wholesalers, Nondurable Goods | 41,000 | 100 | 0.2% | 600 | 1.5% |
| ...Retail Trade | 286,000 | 1,100 | 0.4% | 12,000 | 4.4% |
|Motor Vehicle and Parts Dealers | 35,500 | 200 | 0.6% | 1,000 | 2.9% |
|Building Material and Garden Equipment and Supplies Dealers | 19,900 | -1,200 | -5.7% | 400 | 2.1% |
|Food and Beverage Stores | 58,800 | 400 | 0.7% | 1,600 | 2.8% |
|Health and Personal Care Stores | 17,100 | 100 | 0.6% | 600 | 3.6% |
|Clothing and Clothing Accessories Stores | 31,700 | 300 | 1.0% | 1,100 | 3.6% |
|General Merchandise Stores | 60,000 | 300 | 0.5% | -500 | -0.8% |
|Department Stores | 22,500 | 100 | 0.4% | -400 | -1.7% |
|Other General Merchandise Stores | 37,500 | 200 | 0.5% | -100 | -0.3% |
| ...Transportation, Warehousing, and Utilities | 132,700 | 1,400 | 1.1% | 4,100 | 3.2% |
|Utilities | 16,200 | 100 | 0.6% | -300 | -1.8% |
|Air Transportation | 22,100 | 0 | 0.0% | -500 | -2.2% |
|Truck Transportation | 25,000 | 300 | 1.2% | 1,100 | 4.6% |
|Pipeline Transportation | 10,600 | 0 | 0.0% | 100 | 1.0% |
| ..Information | 32,300 | 400 | 1.3% | 800 | 2.5% |
| ...Telecommunications | 15,300 | 200 | 1.3% | 0 | 0.0% |
| ..Financial Activities | 144,000 | 1,900 | 1.3% | 3,000 | 2.1% |
| ...Finance and Insurance | 91,600 | 1,100 | 1.2% | 1,400 | 1.6% |
|Credit Intermediation and Related Activities | 43,800 | 500 | 1.2% | 700 | 1.6% |
|Depository Credit Intermediation | 30,100 | 400 | 1.3% | 200 | 0.7% |
|Securities, Commodity Contracts, and Other Financial Investments and Related Activities | 13,700 | 100 | 0.7% | 200 | 1.5% |
|Insurance Carriers and Related Activities | 29,500 | 300 | 1.0% | -300 | -1.0% |
| ...Real Estate and Rental and Leasing | 52,400 | 800 | 1.6% | 1,600 | 3.1% |

NONAGRICULTURAL EMPLOYMENT

| Houston-Sugar Land-Baytown MSA | JUN 2013 | Month Change | | Year Change | |
|---|----------|--------------|---------|-------------|---------|
| | | Net | Percent | Net | Percent |
| ..Professional and Business Services | 422,000 | 3,400 | 0.8% | 11,100 | 2.7% |
| ...Professional, Scientific, and Technical Services | 198,500 | 600 | 0.3% | 4,700 | 2.4% |
|Legal Services | 24,300 | 400 | 1.7% | 300 | 1.3% |
|Accounting, Tax Preparation, Bookkeeping, and Payroll Services | 19,300 | -100 | -0.5% | -400 | -2.0% |
|Architectural, Engineering, and Related Services | 71,400 | 600 | 0.8% | 5,400 | 8.2% |
|Computer Systems Design and Related Services | 27,400 | 300 | 1.1% | 800 | 3.0% |
| ...Management of Companies and Enterprises | 23,700 | 400 | 1.7% | 700 | 3.0% |
| ...Administrative and Support and Waste Management and Remediation Services | 199,800 | 2,400 | 1.2% | 5,700 | 2.9% |
|Administrative and Support Services | 189,000 | 1,500 | 0.8% | 4,200 | 2.3% |
|Employment Services | 80,100 | 1,600 | 2.0% | 6,100 | 8.2% |
|Services to Buildings and Dwellings | 46,700 | 900 | 2.0% | 300 | 0.6% |
| ..Educational and Health Services | 340,500 | -400 | -0.1% | 13,500 | 4.1% |
| ...Educational Services | 46,800 | -700 | -1.5% | 1,300 | 2.9% |
| ...Health Care and Social Assistance | 293,700 | 300 | 0.1% | 12,200 | 4.3% |
|Ambulatory Health Care Services | 141,400 | -100 | -0.1% | 8,100 | 6.1% |
|Hospitals | 77,400 | 700 | 0.9% | 2,900 | 3.9% |
| ..Leisure and Hospitality | 277,600 | 8,600 | 3.2% | 13,300 | 5.0% |
| ...Arts, Entertainment, and Recreation | 31,900 | 2,500 | 8.5% | 1,400 | 4.6% |
| ...Accommodation and Food Services | 245,700 | 6,100 | 2.5% | 11,900 | 5.1% |
|Accommodation | 23,600 | 1,100 | 4.9% | 1,200 | 5.4% |
|Food Services and Drinking Places | 222,100 | 5,000 | 2.3% | 10,700 | 5.1% |
| ..Other Services | 95,800 | 200 | 0.2% | -1,100 | -1.1% |
| Government | 372,100 | -4,600 | -1.2% | 12,800 | 3.6% |
| .Federal Government | 27,500 | 0 | 0.0% | 200 | 0.7% |
| .State Government | 69,600 | -2,100 | -2.9% | 700 | 1.0% |
| ..State Government Educational Services | 37,000 | -2,000 | -5.1% | 200 | 0.5% |
| .Local Government | 275,000 | -2,500 | -0.9% | 11,900 | 4.5% |
| ..Local Government Educational Services | 192,500 | -2,900 | -1.5% | 11,100 | 6.1% |

UNEMPLOYMENT RATE

| | JUN 2013 | MAY 2013 | JUN 2012 |
|------------------------|----------|----------|----------|
| H-S-B MSA | 6.7 | 6.3 | 7.4 |
| Texas (Actual) | 6.9 | 6.5 | 7.5 |
| United States (Actual) | 7.8 | 7.3 | 8.4 |

Houston-Sugar Land-Baytown MSA: Includes Austin, Brazoria, Chambers, Ft. Bend, Galveston, Harris, Liberty, Montgomery, and San Jacinto & Waller Counties. Houston-Baytown-Sugar Land MSA CES data series are benchmarked to March 2012 levels and are estimated by the U.S. Department of Labor, Bureau of Labor Statistics. All Data is Subject To Revision.

Sources: U.S. Department of Labor, BLS, Texas Workforce Commission, Baker Hughes Incorporated, Kiley Advisors, Metrostudy, and The Federal Reserve Bank of Dallas.