

To: Gulf Coast Workforce Board Members

From: Rodney Bradshaw
Mike Temple

Date: September 5, 2012

Subj: Board Meeting Materials for Tuesday, September 11, 2012

A special called meeting of the Gulf Coast Workforce Board is scheduled for **10:00 a.m., Tuesday, September 11, 2012**, in the second floor Conference Room A, 3555 Timmons, Houston.

At our August meeting, the Board voted to renew all contracts for services with the exception of the Houston Works contract. The Board accepted the Procurement Committee's recommendation to transfer the operation of eight career centers to another contractor, until a full procurement is completed in the next year.

We are bringing a recommendation to transfer the operation of the eight offices to Neighborhood Centers, Inc. We believe NCI, the Board's largest contractor, has the experience of quickly incorporating another organization into its operations and of managing and delivering services through multiple locations. We are also recommending the financial aid component of the Houston Works offices be transferred to Interfaith of the Woodlands. We believe the transition can be completed no later than the end of September with no interruption in customer services.

The recommendations are for the last year under the current multi-year procurement. In February, we plan to release an RFP (Request For Proposals) for all services in the system. The Board will consider all proposals in the Spring.

As a result of the called September meeting, we do not see the need for an October meeting. Our next regularly scheduled meeting will be 10:00 am, Tuesday, December 4, 2012.

We look forward to seeing you Tuesday.

The Gulf Coast Workforce Board Tentative Agenda

Tuesday, September 11, 2012 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 August 2012 meeting minutes**
5. **Declare Conflicts of Interest**
6. **Take Action**
 - a. *Procurement.* Consider amending 2013 Workforce Solutions operations contracts with Neighborhood Centers, Inc. to \$150,977,521 and with Interfaith of the Woodlands to \$12,435,335. Consider amending 2012 Workforce Solutions contracts with Neighborhood Centers, Inc. to \$3,848,001 and with Interfaith of the Woodlands to \$10,676,753.
7. **Set Next Meeting**

Discuss setting next meeting of the Board for December 4, 2012
8. **Adjourn**



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**MINUTES OF
THE GULF COAST WORKFORCE DEVELOPMENT BOARD
TUESDAY, AUGUST 7, 2012**

MEMBERS PRESENT:

Gerald Andrews	Willie Alexander	Sara Bouse
Stephanie Dees	Sal Esparza	Yvonne Estrada
Joe Garcia	Mark Guthrie	Barbara Hayley
John Hebert	Bobbie Henderson	Tracie Holub
Eduardo Honold	Guy Robert Jackson	Sara Janes
David Joost	Birgit Kamps	Jeffrey Labroski
Lynn Lumsden	Linda O'Black	Toni Randall
Allene Schmitt	Richard Shaw	Connie Smith
Evelyn Timmins	Bill Weaver	Sarah Wroblewski

H-GAC STAFF MEMBERS PRESENT

Rodney Bradshaw
Mike Temple
David Baggerly
Ron Borski

Mr. Mark Guthrie, Vice Chair, called the meeting to order at approximately 10:00 a.m., on Tuesday, August 7, 2012, in the 2nd floor, H-GAC Conference Room A, at 3555 Timmons Lane, Houston, Texas. Mr. Guthrie determined that a quorum was present.

Mr. Guthrie explained that Mr. Frank Thompson was under-the-weather and he would Chair the meeting today.

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. Francis Cook, a Houston Works Board Member addressed the Gulf Coast Workforce Board regarding the financial situation of Houston Works and the changes they have put into place to help their organization.

Ms. Gayle Kennie, a Houston Works Board Member and fund raiser for a non-profit organization in Houston addressed the Gulf Coast Workforce regarding their Board's commitment to work together to put a comprehensive fund raising plan in place to insure the sustainability of Houston Works for the future.

Ms. LaTayne Bruce, a Houston Works Board member addressed the Gulf Coast Workforce Board and asked that the Workforce Board consider a six month extension of Houston Works contract with a corrective action plan in place.

MINUTES FROM APRIL 3, 2012 AND JUNE 5, 2012

Mr. Guthrie asked if there were any additions or corrections to the minutes for the April 3, 2012 and June 5, 2012 meetings. A motion was made and seconded to approve both of the minutes as presented. The motion carried.

DECLARE CONFLICTS OF INTEREST

Mr. Willie Alexander declared a conflict of interest regarding item 7b.

CONSIDER COMMITTEE REPORTS

Audit/Monitoring

Mr. Joe Garcia explained that the committee met on Wednesday, July 25, 2012 and reviewed recent activity.

- The regional team has just completed reviews of the Columbus (above average), Sealy (above average), Waller (average) and Cypress Station (average) career offices operated by Interfaith of The Woodlands.
- The team completed review of the Southwest (below average) office operated by HoustonWorks, USA and did a follow-up visit to their Pasadena office. The customer service at Pasadena has improved, but the applications and postings follow-up still need work.
- The team completed review of the Baytown (average) office operated by ResCare and did a follow-up on their Rosenberg office. Rosenberg has reassigned staff to provide better customer service and production. We will follow-up again.
- The outstanding billing reviews from Interfaith, ResCare and Neighborhood Centers, Inc. have all responded and are all working on small, unresolved issues.
- HoustonWorks USA continues to have financial monitoring issues.
- The Texas Workforce Commission conducted its annual monitoring review in June. We do not have a report, but the exit interview went well, so we expect a good report.

TAKE ACTION

- a. Employer Services. Consider the committee’s recommendations on setting performance standards for education and training vendors.

Mr. Gerald Andrews explained that Workforce Solutions provides customers with financial assistance to purchase employment related service that our offices do not directly provide – assistance to go to school and for work support such as transportation and child care expenses. We purchase these services on an individual basis from third party organizations through a vendor relationship. We maintain a network of vendors that provide education and training. Many of these vendors seek registration on the Workforce Commission’s statewide training list.

The Texas Workforce Commission requires Boards to set a minimum level of performance for training vendors registered on the state’s list. Vendors must meet and maintain these performance levels for each course of training to continue to be registered.

Boards may adopt the Commission’s recommended performance or set higher levels. The state’s recommended levels for this year are:

Measure	Performance Level
Student Completion Rate	60%
Completers Entered Employment Rate	60%
Average Hourly/Quarterly Wage at Placement	80%

In prior years, we have recommended the Board adopt the Commission’s levels, and we are making that recommendation for this year as well.

A motion was made and seconded to adopt the 2012 performance levels for vendors on the statewide Eligible Training Providers list as shown above. The motion carried.

- b. Procurement. Consider the committee’s recommendations to authorize 2013 Workforce Solutions operations contracts in amounts not to exceed \$161,727,305.

Mr. Mark Guthrie stated that the Procurement Committee met on Wednesday, August 1, 2012 to discuss the 2012 system contract recommendations. The Committee heard a report from the Audit/Monitoring Committee, a short presentation from the contractors involved and staff recommendations. Mr. Guthrie noted that additional time was given to Houston Works when they made their presentation. Initially, the Gulf Coast Workforce Board solicited contracts for its Workforce Solutions operating affiliate in 2008. The five-year procurement cycle allows for an initial annual contract and up to four 1-year renewals based on performance and availability of funding. The 2013 contract year will begin on October 1, 2012 and is the final year of the five-year procurement cycle for system contracts.

Pending approval by the Board, we would plan to issue requests for proposals in February 2013 to put contracts in place for the year beginning October 1, 2013.

Mr. Guthrie stated that unemployment has dropped in our region, although we saw an increase in the unemployment rate from April to June of this year. The slowly improving economy is reflected in performance against the Board's measures which show improved rates of returning people to work, although still below target.

As we have reported at previous Board meetings, we are behind on production for two of 10 state indicators: total employer success rate and job postings fill rate.

Employer Services

Employment and Training Centers, Inc. operates Workforce Solutions' Employer Service which markets and provides a range of services to business. The 62 staff members are located in career offices and a central unit in Houston.

Employment and Training Centers also operates office for aerospace workers from the NASA Johnson Space Center. That office is planned to close in December 2012.

For 2013, ETC will work with more than 22,600 employers.

Career Offices

Three contractors employ a total of 468 staff to operate 25 offices, a central processing unit each and 4 itinerant sites called Information Centers.

Houston Works	8 offices: Astrodome, East End, Hobby, Northline, Northeast, Northshore, Pasadena, and Southwest Two financial aid processing units Two staffing specialist units One tracking unit
Interfaith of the Woodlands	9 offices: Columbus, Conroe, Cypress Station, Humble, Huntsville, Sealy, Waller, Westheimer, and Willowbrook One financial aid call center One staffing specialist unit One tracking unit Placement Team
ResCare Workforce Services	8 offices: Bay City, Baytown, Katy, Lake Jackson, Liberty, Rosenberg, Texas City and Wharton One financial aid call center

We anticipate that the offices will see 360,000 people and work an average of 7,000 new job postings each month.

Payment Office

Neighborhood Centers, Inc. employs 45 staff to operate our payment office and manage Workforce Solutions' vendor networks. This unit tracks, manages, and pays out financial aid to vendors on behalf of our customers.

For 2013, we expect that the financial aid office will pay out more than \$132 million in financial aid for scholarships; help with child care expenses and transportation costs; and other education, work and work search expenses. Currently, the office works with more than 2,900 vendors.

Early Education & Care Quality

Collaborative for Children, Inc. (CFC) employs 9 staff to provide quality resources to child care providers. CFC provides teachers and director training, equipment and material grants, intensive quality improvement services, support Texas Rising Star and National Accreditation, support for children with disabilities, support for infant/toddler care, child care resource and referral, resources for listed home providers, parenting support, and securing local match funds to match federal Child Care Development Block Grant funds.

The Procurement Committee and staff make the following recommendations for 2013 contracts which will include a realignment of eight career offices currently operated by Houston Works.

	2,011	2,012	Proposed 2013
Employment and Training Centers	6,205,705	5,545,954	5,490,494
Interfaith of the Woodlands	12,418,566	10,641,753	10,535,335
ResCare	9,192,000	8,174,701	8,092,954
Neighborhood Centers, Inc.	3,746,915	3,400,000	3,366,000
Collaborative for Children	3,000,000	1,119,547	1,800,000
Subtotal, Operations	34,563,186	28,881,955	29,284,784
Financial Aid	149,424,622	133,780,324	132,442,521
Total	183,987,808	162,662,279	161,727,305

- We are projecting about \$183 million initially available for all 2013 system operations and Board activities. We are recommending 2013 contracts and financial aid at a 1% decrease from current year levels.
- Collaborative for Children's proposed contract total is the result of the availability to the Board of additional funds dedicated specifically for early education quality improvement activities.
- The Board's Audit/Monitoring Committee has been following issues with Houston Works' financial health for several years. For the past three years, our CPA monitors have spotlighted issues with Houston Works' financial systems and expenditures. The most recent review, completed in the last three weeks, indicates continued problems with financial systems, a high number of high risk findings, and a deteriorating cash position. Latest Houston Works financials indicate a significant negative net asset position, in excess of \$1.1 million.

The Procurement Committee recommends negotiating with current high performing contractors to have one or more contractors assume operation of the eight offices and the five service units. The intent is to assure uninterrupted service for customers and to continue the more than 200 employees who work in the offices.

Mr. Guthrie elaborated on Houston Works' financial situation and Mr. Mike Temple discussed Houston Works' financial expenditures, samples of high risk findings from the 2012 financial review and the cash position of the organization.

Mr. Bradshaw explained that the intent is to keep the offices open and operating, ensure an orderly transition of staff and facilities to a different contractor or contractors and closeout the 2012 contract. Mr. Bradshaw stated that the action today would not allow us to make the specific contractor recommendations to operate the eight offices, but suggested that we either hold a special meeting in September to hear specific contractor recommendations regarding the operation of the eight offices or perhaps have the officers act on the Board's behalf.

Mr. Guthrie asked for a motion on the procurement committee recommendations. Ms. Evelyn Timmins made a motion to approve the procurement recommendations as stated on page 4 of item 7b. Ms. Toni Randall seconded the motion. Ms. Guthrie asked for discussion. There was no discussion. The motion carried. Mr. Willie Alexander abstained from voting. Mr. Guthrie asked to have the record reflect there was no other opposition.

Mr. Sal Esparza complimented the dedication and loyalty of Houston Works staff for the past 27 years and voiced concern for their continued employment. Mr. Guthrie and Mr. Bradshaw expressed that it was the Board's intent to insure the staff are transitioned over to the new contractor(s) and customers and staff would not notice a difference.

Dr. Bobbie Henderson asked to have the record reflect that Mr. Guthrie handled the situation quite professionally and with as much decorum as possible. Dr. Henderson

stated that the Procurement Committee meeting was a very difficult meeting and the decisions made were agonizing for everyone involved. And she asked that the Board hold a special meeting in September.

The Board voted that they would meet the second Tuesday of September, on September 11, 2012 at 10:00 am.

- c. Budget. Consider the committee's recommendations to amend the 2012 Board budget to a total of \$189,571,000.

Ms. Yvonne Estrada explained that the Budget Committee met on Thursday, August 2, 2012 to discuss 2012 mid-year revisions. Ms. Estrada explained that periodically we update the Board's budget mid-year to account for changes in revenue. For the 2012 mid-year revision we are also requesting authorization for additional spending for the Workforce Solutions electronic network.

The proposed revision to the 2012 budget places total available revenue at \$189 million, which is \$17.4 million or a 10.1% increase over the original 2012 amount. The additional revenue is largely financial aid dollars – direct assistance to customers to help them get a job, keep a job or get a better job.

- A change in the way federal Workforce Investment dollars are allocated brought us some additional core revenue.
- We also received slightly more Temporary Assistance for Needy Families and Supplemental Nutrition Assistance Program dollars than we originally projected.
- Our Child Care and Development Block Grant funds are higher than initially forecast.

Proposed 2012 system operations costs are in line with contracts the Board approved in August 2011 with additional resources added to the available financial aid pools for customers.

In addition to notifying the Board of the additional revenue for 2012, we are asking permission to add about \$217,000 to the System IT budget to upgrade the Workforce Solutions wide area network and email system.

- Currently, our wide area network (which connects all the offices and system units to each other and the internet) operates on an out-of-date frame relay platform. Our communications carrier will not support the platform beginning in 2013. The least cost option for us is to upgrade the network to a standard our carrier supports. This will also provide faster and more stable connections for the network. Cost is \$130,000.

- At the same time, we want to upgrade the Microsoft Exchange software and hardware we use to support email for the 750 plus Workforce Solutions staff members. Cost for this is \$84,648.

There are no significant changes to the Board staff budget although total costs are about \$150,000 less than the original budget. We are proposing an operations budget for the Board staff of \$4.13 million. This represents 2.2% of the revised 2012 Board budget.

A motion was made and seconded to approve a revised 2012 Board budget in the amount of \$189,571,000. The motion carried.

- d. Public Information Officer. Appoint Rick Guerrero as the Gulf Coast Workforce Board's Public Information Officer and Sue Cruver as support.

Mr. Mike Temple stated that State Law and Workforce Commission directives require that the Board appoint a public information officer and backup staff to carry out requirements of the states' open meetings and public information laws. H-GAC's Intergovernmental Relations Manager staffs the public information function for other departments as well as the Workforce Board. She/he responds officially to any requests under the public information laws and rules.

H-GAC's long-time Intergovernmental Relations Manager recently retired. Rick Guerrero has taken over this position and associated responsibilities.

Sue Cruver is on the Workforce Board's staff at H-GAC and will backup Mr. Guerrero.

A motion was made and seconded to appoint Rick Guerrero as Public Information Officer for the Gulf Coast Workforce Board and Sue Cruver as backup. The motion carried.

RECEIVE INFORMATION

System Performance

Mr. David Baggerly reviewed the System Performance measures for October 2011 through June 2012. 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 21,806 employers this year which is about 16% of the 134,604 employers identified for the Gulf Coast area. Through June, we provided services to 16,604 employers.

Employer Loyalty – our performance indicates our employer customers value our services and return to us for additional services. Of a possible 16,340 employers, 7,746 returned to The Workforce Solutions for additional services.

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 three quarters (October 10 – September 11), 275,876 of the 399,822 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 three quarters (April 10 – March 11), 131,443 of the 425,481 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
Through June, 662 of the 3,656 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, 2011, we are meeting or exceeding the target for all of the ten current measures.

Expenditure Report

Mr. Rodney Bradshaw reviewed the Financial Status Report for four months ending June 30, 2012 and stated that there are two charts in the packet. The first reflects expenditures without the budget that was just approved. And the bottom chart is the new approved budget. Mr. Bradshaw explained that everything looked good – and he noted that some of our office operations are running slightly ahead due to Houston Works expenditures.

LOOK AT THE ECONOMY

Mr. Ron Borski explained that the thirteen county region's unemployment rate followed summer seasonal patterns rising to 7.5% in June. The current rate is 1.3% lower than it was one year earlier.

Job growth in the H-S-B MSA continues on a positive trend as does that at the national level. The difference is that the U.S. still needs to recover some 4,935,000 jobs since the

beginning of the recession and the MSA recovered all of the jobs lost as of November 2011 adding another 43,000 jobs above that.

Most private sectors continue to report healthy over-the-year job gains with strongest growth found in Mining and Logging, Healthcare, Employment Services, Food and Beverage Establishments, Construction and Other Services. The public sector continues to struggle with budget constraints reporting over-the-year losses for the last sixteen months where most of the losses were tied to education at the state and local level. While jobs growth continues to be strong across many industries in the H-S-B MSA there are increasing concerns over the slowdown in the global economy and its potential to drive oil prices lower which would negatively impact economic growth in the region.

ADJOURN

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

Procurement Committee

Amendments to 2013 Workforce Solutions Contracts

Background

At its August 2012 meeting, the Workforce Board approved contracts for 2013 Workforce Solutions operations and authorized the staff to negotiate with existing contractors concerning the eight career offices and two financial aid units formerly operated by Houston Works. As planned, we are bringing recommendations to the Board for the operation of those offices and units.

Career Offices

We recommend that current contractor **Neighborhood Centers, Inc.** assume responsibility for eight career offices in 2013 -- Astrodome, East End, Hobby, Northline/Northeast, Northshore, Pasadena, and Southwest – and the approximately 175 staff employed by Houston Works in those offices.

Neighborhood Centers (NCI) currently runs the Workforce Solutions Financial Aid Payment Office; however, the organization has also operated local general social service centers in Harris County, as well as early childhood education, Head Start, charter school, and senior services locations. NCI has served Houston and Harris County residents for more than a century.

- NCI is a large and financially stable community-based organization with a significant history of service in Houston and Harris County. NCI has also been a Workforce Solutions contractor since 1998, initially managing child care financial aid for the system and currently managing the payment of all forms of financial aid.
- NCI has considerable experience running local office facilities of comparable size to the career offices.
- Recently NCI transitioned employees and services of Sheltering Arms, formerly a Houston-based senior services organization, as it assumed responsibility for that organization's operations.

With the Board's approval, NCI would assume management responsibilities for the eight career offices and transition former Houston Works staff currently working in those offices to NCI as early as September 19, 2012. We recommend adding \$448,001 to NCI's 2012 contract for this purpose.

NCI will manage the career office operations and the payment office operations separately.

Neighborhood Centers 2013 Proposed Costs

Financial Aid Payment Office	\$ 3,366,000
Direct Financial Aid Payments	\$132,442,521
Career Offices	<u>\$ 15,169,000</u>
Total 2013 Proposed Contract	\$150,977,521

Neighborhood Centers 2012 Proposed Contract Amendment

Revised contract to add staff	\$3,848,001
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Financial Aid Call/Processing Centers

We recommend that current contractor **Interfaith of the Woodlands** assume responsibility for the financial aid processing centers at Northline and Southwest and the 25 staff positions associated with those units.

Interfaith operates nine local career offices and a financial aid call center for Workforce Solutions and has been an operator of local offices since 1988. Interfaith is a well-established social service organization in The Woodlands/South Montgomery County area, providing service there for more than 40 years. In addition to the nine Workforce Solutions offices it operates in Austin, Colorado, Harris, Montgomery, Walker and Waller counties, Interfaith also has an early childhood education center; provides financial assistance, counseling and other help for families; and operates a community health clinic.

- Interfaith's financial aid call center currently processes more applications for assistance than either of the other two career office contractors and accomplishes this with a smaller number of staff.
- Combining Houston Works' processing centers with the Interfaith call center will help improve customer service and simplify customers' experience with Workforce Solutions' financial aid process

With the Board's approval, Interfaith will assume management of the financial aid processing centers and staff located at Northline and Southwest as early as September 19, 2012. To add staff before October 1, we are proposing to increase Interfaith's 2012 contract by \$35,000.

Interfaith of the Woodlands 2013 Proposed Costs

Career Offices/Financial Aid Call Center	\$12,435,335
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Interfaith of the Woodlands 2012 Proposed Contract Amendment

Revised contract to add staff	\$10,676,753
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2013 Proposed Contract Summary

	2012	Proposed 2013
Employment and Training Centers	5,545,954	5,490,494
Houston Works	16,951,714	-
Interfaith of the Woodlands	10,676,753	12,435,335
ResCare	8,174,701	8,092,954
Neighborhood Centers, Inc.	3,848,001	18,535,000
Collaborative for Children	1,119,547	1,800,000
Subtotal, Operations	46,316,670	46,353,783
Financial Aid	133,780,324	132,442,521
Total	180,096,994	178,796,304

Action

Amend 2013 Workforce Solutions contracts for Neighborhood Centers, Inc. and Interfaith of the Woodlands in total amounts not to exceed \$150,977,521 and \$12,435,335 respectively.

Amend 2012 Workforce Solutions contracts for Neighborhood Centers, Inc. and Interfaith of the Woodlands in total amounts not to exceed \$3,848,001 and \$10,676,753 respectively.