Community Action Commission
Board of Directors Minutes
Special Board Meeting
December 4, 2019
Trattoria Grappolo
5:30 p.m.

ROLL CALL

Bob Freeman called the meeting to order at 5:30pm. A quorum was established.

Members present:	Members not present:	Staff present:	Guests present:
Elizabeth Snyder	Steve Lavagnino	Patricia Keelean	Natalia Williams
Robert Freeman	Guy Walker	Lorraine Neenan	Daniella Riggs
Phylene Wiggins	Karin Dominquez	Jackie Nix	Patty (Josie's Guest)
Jenelle Osborne	Oscar Gutierrez	Tony Mitchell	Alexandra Saunders
Sanford Riggs	Sharon Lutz	Kemba Lawrence	
Gabriela Gonzales	James Kyriaco	Seth Miller	
Josephine Torres	Mike Cordero	Michael Williams	
Alexander Saunders		Monica Moreno	

INTRODUCTION OF GUESTS/CHAIRS REMARKS:

a. Bob Freeman, Chair called the meeting to order at 5:40 pm; the Chair asked that each Board member introduce herself or himself.
b. Bob stated he wanted to apologize to any spouses and guests; we'll try and get through this as quickly as possible so we can enjoy the festivities.
c. The main thing we have to go through the agenda is just the budget and for CAC. The Finance Committee, which includes Elizabeth, Karin, I, and the CAC staff have already been through this and approved it. Bob asked Michael to go through and give us the presentation as to the fundamentals and the trends. Elizabeth noted that she was not a member of the Finance Committee.

THE CHAIR ASKED IF THERE WAS ANYONE THAT WOULD LIKE TO ADDRESS THE MATTERS WITHIN THE SUBJECT MATTER JURISDICTION OF THE BOARD OF DIRECTORS, BUT NOT ON THE AGENDA. None.

CLOSED SESSION: None
a. Personnel Issues
b. Pending Legal Matters

REPORT FROM CLOSED SESSION: None

PUBLIC COMMENTS– Members of the public may speak up to 5 minutes each:
The CAC Board Co-Chair asked if there were any public comments. None

CONSENT AGENDA:
C-1) **Board Minutes:** None.

C-2) **Grants $10,000 and Under/Renewal Contracts: None**

<u>BOARD - ACTION ITEMS:</u>

A. Board Action Items:

a-1) Approval of a Board Resolution authorizing CAC to enter into a contract with the Department of Community Services and Development (CSD) for Community Services Block Grant (CSBG) in the amount of $529,942.00, Contract #20F-3041, for the Year 2020.

Pat stated this is our core funding from the community action network. It comes down through Congress and is the same level of funding that we have received in the last two years.

M/S/A Phylene Wiggins/Jenelle Osborne 8 Yes 0 No 0 Abstain Approved

a-2) Board approval of CAC Budget for Fiscal Year 2020.

Bob stated Michael please present the CAC Budget for 2020 and any fundamentals and trends.

- Michael began by providing an overview what we're going to go over. We've gone back and looked at the last decade or so to look at some key performance indicators and historical trends, because before we look at where we're going to go next year, it's nice to look at where we've been over the last decade or so. Then we're going to look at the October year to date financials. We will then talk about the 2020 agency budget, Head Start and Early Head Start first since we've done it differently this year. A few months ago, we introduced the CEO Report by project tying to the Profit & Loss statement and that we thought it would be an interesting way to look at the development of the budget this year. This year was really tough, and I just wanted to call out a couple of people here, Lorraine and Monica, who were very, very instrumental in solving what was a really hard budget puzzle to make everything balance to zero.
- The most interesting slide to me is the cash investments, receivables and liabilities. What's above the zero line are the things that we have in cash and investments. What's below are the things that we owe accrued, payroll, account payable, advances, line of credit and notes payable. If you look at 2011, 2012, 2013, and 2014, we actually had borrowings that helped us get through some pretty tough times. If you look at the days of cash and investments on hand back in 2009, we only had 14 days. That's one payroll, and up until about 2013 and 2014, we maintained that; since then we've gone up and up and up to 36 days. Ideally, we would want to have significantly more than that.
- This is a really interesting slide to look at because what we're about to look at is some numbers that are really challenging and looking at next year's budget was very hard. We're going to solve the budget deficit and we're in as good of shape as we've been in many, many years. Another way of looking at the similar kind of thing is called the working capital ratio. This is one of the seven key financial metrics that Charity Navigator looks at when they're evaluating different charities. The working capital ratio didn't work the same way as the investments, days of cash and investments on hand. We were higher and then we got down to a low point of 7%. We're back up to 11% and that's because of the fact that in the early years we had lots of receivables on hand. Another ratio, which is very similar to the working capital ratio, is the liabilities to assets ratio, an indicator of an organization's solvency or long-term sustainability. We've made great strides since 2013, when we had a 65% liabilities to assets ratio. Three of the key seven metrics that Charity Navigator looks at are the percentages of total expenses for programs, for management in general and for fundraising. The rule of thumb is 75% for programs is a good target, 15% for managed management and general, and 10% for fundraising.
- We've been amazingly consistent over the years at 90%, 89%, 90%, 89% for programs. There are pros and cons to all of that, the thing that I think is most important to call out is our fundraising percent, 1% in 2018 and doesn't even show up in all the years before.
- The biggest opportunity that we have moving forward and looking forward is to grow our contributed revenue, that's really what's going to help us. Solve what is a structural deficit. You'll see in some of the slides to come that we're on a trajectory and we're well on our way to making that happen.
- Program expenses over the course of the last decade have been very, very flat. In the years where we were really hurting, they were lower. Management expenses in general are very, very flat. There was an anomaly in 2010, and we had to go back and dig to find that, but that actually was probably something that shouldn't

have been charged to management, because of funds that came through an ARRA appropriation that was about $400,000. It is incredibly flat over 10 years for management in general.

- Fundraising expenses, now there's a little bit of apples and oranges going on here because if you go back and we had different auditors and different people in finance, we probably didn't allocate an appropriate amount of resources to fundraising. For all intents and purposes, fundraising was virtually zero from 2009 to 2017 and we're just starting to invest in fundraising now. I think that's where we have the most potential for revenue growth and helping to solve our bottom-line issues. Historically, we've thrown things into fundraising revenues that really didn't belong, in 2016 there was $157,000 that was refunds of various types of insurance, worker's comp, etc. and it went into other revenue - there was no other place for it to go than fundraising. It should have been another revenue category in earned income. Ideally, it should have reduced the expense that we had, even if it's spanned year to year, it should have actually been a reduction in expenses. I've drawn a line to show the true trend from 2016 to our 2020 budget; in 2017 we had $100,000 that was extra from CenCal Health that came in 2017. Michael pushed that back to 2016, because it was a timing issue. It really was meant for 2016. Then in 2018 we had a $50,000 Weingart award and a $34,000 Hutton-Parker crisis grant that had to do with the debris flows. They're really not something if you're going to look for trends. We were relatively flat from 2016 to 2019, and we're projecting a fairly significant increase. Michael asked Pat to talk a little about why you can see the biggest jump in foundation revenue from $173 to $335. Pat stated, again, our two greatest opportunities for fundraising in the future are going to be around foundations and corporations, business, sponsorship, etc.. First of all, we're organizing internally in a new way so that we can focus on development around foundations and corporations. We're organizing with our grant writer; I'm going to be expanding our focus outside of just senior services. Historically, we've really focused all of our fundraising efforts on seniors. There are opportunities with new foundations around new programming and new department services and other activities outside of seniors that we feel that we're missing out on. We serve a population from zero to 90+ years and there are many foundations and corporations that are interested in supporting other areas of our mission. We know that there are opportunities to expand and look at new foundations, new corporations, and we're going to increase this revenue stream. In 2020, we're going to be very focused on expanding outside of the fundraising that we've traditionally done. Not that we're not going to be focusing on seniors, but internally we're organizing ourselves through marketing and through grant writing in a different way so that we can leverage our resources and generate more revenue. *Phylene asked, "The programs that you're going to be fundraising for are targeted in that the funding that comes in does not fully fund the program as it is right now, is that right?" Pat stated yes, that is true for the Senior Nutrition Program that only receives about 45% of the funding from AAA needed to fund operations. Of course, we are also going to be focused on our strategic goals. That will be driving our grant writing and fundraising efforts and, in addition to that, we're going to be more aggressively looking at donors and donor cultivation, as a way of really stabilizing our funding base and growing that funding base as we move forward."* Michael stated you can see the yellow "Individual Donor" is planning to have some significant growth as well, and we're going to get very sophisticated how we plan for these and how we report our variances, because this is such a key focus on how we're going to solve our structural deficit. Pat stated "we do want to note too, that of course, next year we're looking to increase our fundraising a little over $200,000; then by 2021 into 2022 our goal is to hit $1 million plus. Michael stated that this is aspirational, but achievable. Bob want to add "something that's not in here, but in terms instead of just philanthropic fundraising, if we looked at other areas, I mean, CAC has assets that are worth a lot, meaning you have connections to the low-income population. Speaking for healthcare, that's very valuable to us, Dignity Health and Cottage - we have to do things called "population health". Health care is expanding outside the hospital walls or the physician's offices, and I'll give you an example: We have to do medical transportation. We contracted with a vendor to give medical transportation for low-income people. You pay them $500,000 a month, I mean it's a *month*, CAC could do something like that. There are opportunities there, if you can align what CAC does for its membership with what was listed. Again, speaking for healthcare, the healthcare organizations would find it very valuable. Another thing that's very valuable to us as a health plan is immunization rates for low-income kids, if we can get those up or preventive care, there's money. If you can get kids in to do that, we pay for that." Pat stated we do that through Head Start now; Bob stated, "we need that in a charge". Pat stated, "there are also opportunities through transportation, our 2-1-1 service is looking at being able to coordinate rides for seniors and for other populations, Kemba is exploring that right now". Pat stated, "so again, many new opportunities ahead that we need to be focused on". Bob stated he just wanted to make a point that "it's not just about trying to fill the hole with donations, how can you use revenue your resources, your assets and use them in a way that's going to dovetail with other institutions or organizations".

- Michael stated he has also included a ratio because it's one of the seven key ratios that Charity Navigator looks at. It's the fundraising efficiency ratio, but because we have very little or nothing in fundraising now, we've starting to invest in it. It's kind of meaningless right now, but our goal would be to get to the 10 cents range, it's probably going to be worse before it gets better.
- We're looking at our current year to date numbers and I just want to draw your eye down to the bottom line: our October year to date deficit was a $673,087 deficit and we think that will get better before year end, but it still will be a fairly significant deficit.
- If you look at next year and the year after, and the year after, minimum wage is going from $12.00 to $13.00 to $14.00 to $15.00. Monica and I spent a lot of time looking at modeling, what impact that's going to have on the organization because not only do you have to adjust people who are $12.00 to $13.00, but people who were $12.90 now have to be $13.00 something. There's what we call *compression factors* that you have to factor in, and we don't do a good job of addressing that. We looked at the numbers and they were absolutely impossible. We're talking about over the course of an annual basis this going north of a seven-figure number. Very, very challenging and very, very hard for us to think about how we're going to continue to move on the trajectory that we're in, in improving the financial sustainability of the organization.
- Going back to the CEO Report, it's looking at project by project, the revenues, expenses and the net and this report ties down to our bottom line, the $673,087 deficit. This is project by project - half how projects are doing and it's very, very hard to do because some projects actually span over four years. You have to merge them together because you have something from several years ago and there's still activity. Just to get this from a budgetary standpoint down into just project by project was, very challenging but just looking at our year to date numbers. Michael then asked Pat to talk about some of the key highlighted numbers that are big negatives. Pat stated we're seeing, and we have been seeing over the course of this past year, some significant deficits, in our Children's Services department around Head Start and Early Head Start for a number of reasons. There were several major repairs that had to be done to our Head Start centers, new roofs last spring, that were unbudgeted and, due to extensive rain, had to be replaced. Also,Windows 7 will not be supported after January 15, 2020, we found that we had to replace many computers agency-wide this year, again all unbudgeted expenses. These factors contributed to that deficit. In addition to that, the Art of Giving Back Café, which is of course something that was created this past year because we began vending out our senior meals to Santa Barbara Unified School District as a cost saving measure. But what happened as a result of that is that we untangled costs related to many cost centers. We hoped that by keeping the kitchen, we would be able to create a viable social enterprise with the Art of Giving Back Café that's located on the County campus. What we are finding is that despite doing some minor remodeling to upgrade the facility, as well as generating a new menu, the County employees still aren't utilizing the café. We've attempted of course, catering, but that catering business is not enough to address the ongoing deficit that we've got there. Currently, we're losing about $10,000 a month, and for that reason, we plan to notify the County that we are no longer going to be operating that café. They have been gracious enough to provide us the kitchen there so that we could prepare the senior meals ourselves. But now that we're vending meals out, we don't need it. We've attempted to try and make the café a social enterprise and make it work so that we could generate revenue for the Senior Nutrition Program and that's not working. We are going to be approaching the County within days to notify them that our plan is to shut the café down as of January 1, because we can no longer support these kinds of losses. Michael added, "just to be fair, there are some fairly significant projects, in particular, the very last one, the CSBG. Michael stated there are numbers that are very big that are there to support some programs that are in deficit, it's not necessarily a bad thing our expenses, our program expenses, our gift to the community. All of the things that are highlighted in yellow are projects that span over multiple years. We've highlighted them here because you see lots of big numbers, but they offset to about $14,000, a very small number. One thing that I wanted to mention as we close this fiscal year and look at the audit for this year, we've never had temporarily restricted net assets that were set aside where we knew that we were going to be having to incur expenses in the next year and setting them aside. Michael looked back over 10 years, we've never had them, that will be something that as we close this year, we will be able to track. We will eliminate the need to have all this

noise that makes it harder for us to manage our bottom line. Head Start, what I'm wanting to show here and again, Lorraine thank you. It's two thirds, three quarters of our entire business having to address a big chunk of our structural deficit. Lorraine really stepped up to the challenge and did some very creative looking with the staffing and made some changes that allowed for us to balance the 2020 budget.

- If you go down to the bottom line, the plan is to have a balanced budget, that's a big, big step to helping us solve this. You have to look at Head Start, and Early Head Start together, the two together for expected for 2019, you can see that bottom yellow number $331,000 to the negative, but again, in both cases, the 2020 budget is a balanced budget. Absolutely essential for us to make the whole agency budget and again, thank you, Lorraine for helping us with that. We took a different look at the 2020 budget rather than looking at it by revenue category and then by expense category. What are we going to spend in supplies? What are you going to spend in legal? What are you going to spend in printing? We look project by project because this is really a helpful way of looking at it and moving forward. The Directors that are responsible for the various projects are going to help us to really get a handle and manage our profit & loss, our bottom line. We will make a big change next year.
- Next, we will take our budgets and put them into monthly buckets, rather than spreading them one 12th throughout the year. We'll be managing by project by dollars and it's not going to be easy. It'll probably take us next year to get this down, but it'll really make it a lot better for the organization to manage our bottom line. Page one of two for the 2020 budget by project you can see we're taking Head Start, Blended and Early Head Start together and those are all netting to zero. Then you have Art of Giving Back Café now is netting to zero. There are some bit ones and I'll let Pat talk to it. Our bottom line all the way to the right all the way down to the bottom, our projection for next year is zero; that was quite a challenge to make sure it happened. There's a lot of risk in it, but we feel that we can do it. Pat stated our plan to address the structural deficit is multifaceted, looking project by project, as Michael indicated. Number one, the Art of Giving Back Café will go away. That's one of the major areas or hotspots that we've been dealing with this year. We'll be able to zero that out and that will eliminate about $10,000 a month in deficits. Also note that the South Coast Task Force is showing a loss of about $46,000, and that's really a timing issue, not an actual loss. It's a timing issue that can be resolved by ensuring the contract for FY 2020-21 is signed before July 1, and we're working on that. I am certain that we're going to eliminate that loss that will balance, to zero, net zero by July 1 next year. The congregate meals and the home delivered meals, we have a structural deficit there because of the Area Agency on Aging funding amount is inadequate, we only receive about 45 to 50% of the total amount of funding that we need to operate that program. That's why we've historically focused our grant writing efforts on Senior Nutrition and we'll continue to fight that battle. I also want to remind the Board that is phase two of our evolution in the senior services program. That is the utilization of volunteers at the site host positions at the community meals sites, as well as ultimately also utilizing volunteers as drivers. Moving to a volunteer base will slowly help us address that structural deficit in the senior meal program.
- The TAY program, which is the Transitional Age Youth program serving youth that are ages 16 to 24. It has been a challenge in getting that program up and running for many, many reasons and we are addressing those issues. Of course, we recently got a rate increase, which is helping us to address that, we're also working with the staff on increasing the billable hours. My commitment to you is that by July 1 next year, if that program is still taking a loss, we will have to let Behavioral Wellness know that we can no longer operate that program. While we are budgeting for a slight deficit there, it will only go through July 1, of next year. If we haven't been able to increase our billable hours by then, we will not continue that program. Those were some of the things that I wanted to address there. *Elizabeth asked,* "do they know that today?" Pat stated we have been meeting with them on a regular basis to talk about the issues; Seth has been taking the lead on that. We met with them to review the contract about three weeks ago, we believe that we can turn this around, but we have a problem with low referrals. If Behavioral Wellness can't address the referral rate, then it's impossible for us to get our billable hours. We'll have to take a look at that in January/February to see where we're at in terms of referrals and billable hours, and then we're going to meet with them and really let them know that if we can't turn this around by May, we'll be renegotiating the contract. *Phylene stated she has a question about the senior program, and she think it's great that you're thinking about volunteers. "Do you have any sort of sense about you know, with the integration of a volunteer content component, what the cost savings will be like say by the end of the year?" Pat stated, "we met with San Louis Obispo (SLO) County's Meals that Connect program,, which is also funded*

through Area Agency on Aging (AAA), and what we learned is that they are saving approximately $250,000 with utilizing volunteer drivers alone. We anticipate that we could probably address nearly a hundred percent of the structural deficit with the use of volunteers." Phylene stated great. Bob stated, the good thing is SLO's program has been doing it for a while, it's a model that has proven to work. Pat stated they have nearly 300 volunteers, a huge volunteer base, and it's going to take us some time to get to that. Phylene stated," that's a lot of coordination. One of the other things, this is maybe a little bit higher level, but does the National Community Action network, what kind of advocacy do they do in Washington in terms of some of these programs that are supported? I know like in AAA they have not seen an increase in years and it's really putting a squeeze on and I feel like there's such an important story that needs to be told and some advocacy." Pat stated "that's a great question. The National Community Action Foundation does work on behalf of the community action network around the Community Services Block Grant (CSBG) funding including weatherization, energy as well as helping with Head Start. The Older Americans Act is not something they traditionally have focused on, and that's something we could bring up to them." Lorraine stated, "this is really important with the Head Start program too. They have all these unfunded mandates that we are having a hard time keeping up, the National Head Start Association does do advocacy for us." Lorraine shared a one page summary on Head Start advocacy.

- In order to balance the budget in 2020, we had to reduce staffing. Lorraine has done an amazing job looking at her budget and reducing her staffing and reducing line item expenses. Pat wanted to inform the Board about specific workforce reductions: Lorraine has eliminated six positions, cut hours for some staff and transferred one office administration position to another, offered four others positions in other parts of the operation. She's going to lose one full-time employee; when you're looking at cutting a half a million dollars, that's pretty amazing. In addition to that, we are looking at administration and some changes, we will be losing one full-time employee in administration, as well. Despite the enormous deficit that we were facing in the end, it's going to result in the loss of two full time employees. *Sanford asked, "are those attritions or layoffs"? Pat stated layoffs.*
- Michael summarized: Last month's projection may have seemed a bit of "doom and gloom," but, I'm very optimistic about our future. Michael stated, 2020 is going to be very challenging, and we're going to have the same thing happen again in 2021, and 2022 as the minimum wage keeps coming. Despite that, we were able to make the numbers work this year. I'm confident we'll be able to do it in 2021, and 2022, but it's going to be challenging.
- Pat stated, "I think there are many opportunities ahead for the organization, and I think there are opportunities for the Board; I would like to use this as an opportunity, as a *call to action* for the board. I know we don't typically utilize our board for fundraising, but I think there is a role outside of fundraising that the board can play in terms of helping us to identify potential donors who might be interested in supporting us. Helping us to identify funding sources, foundations that might be supportive of our mission. I'd like to request your guidance as we move forward in the next two years in addressing these structural deficits because with the minimum wage increasing the next two years, we're going to continue to face these challenges and we're going to have to make up for it through our fundraising or face additional layoffs.
- *Phylene stated "I think with some of the rebranding, that can be a really positive reframe to help engage more of a broader audience of donors." Pat stated "I appreciate you bringing that up, we are on track to roll out the new brand as of March 1st, including the website. I do think that's going to be a tremendous opportunity and we are going to be bringing on a marketing person to help us kind of get the word out and help promote us in a new way."*
- Bob stated to summarize, "We have literally a balanced budget and zero revenue or loss. We went over it more in the Finance Committee meeting; there was a lot of cleanup he had to do just in terms of matching revenue of liabilities and so forth that has made this a much cleaner and more accurate reflection of the financial position. I think the fundamentals are strong in the sense of days of cash on hand and so forth; we do have a structural problem. We do have 12 to 24 months to work on it, it's not a crisis, it's a challenge.
- *Phylene asked, "I'm going back to the 36 days cash on hand ratio. When you projected that out, are those liquid unrestricted net assets, or are they just net assets? Michael stated all of our net assets are unrestricted. Elizabeth stated she wanted to applaud Michael for the 36 days, it's obvious we're going in the right direction. I think it incredible how you recognize performance of everybody else. Phylene stated*

your presentations are so good, are all the effort you put into it. It's appreciated, we can actually understand it when you send it, I do like the CEO Report, that's very cool. Thank you."

- Bob asked if there are any other questions, hearing none, entertain a motion to approve the Annual CAC Budget.

M/S/A Alexander Saunders/Sanford Riggs 8 Yes 0 No 0 Abstain Approved

ITEM PRESENTED TO THE BOARD FOR APPROVAL NOT ON AGENDA: None

COMMITTEE REPORTS: None

R-1 Committees:
Committee Updates

a. Planning Committee: None

b. Personnel Committee: None

c. CAC Fund Development Update: None

R-2 Policy Council: None

R-3 CEO:

- Pat would like to announce that Michael is going to be joining our team full time after the first of the year, beginning in January at roughly at roughly three quarters time, and then by March full time, 40 hours a week. He's done an amazing job since June working with us as an independent contractor and he has worked very well with staff, bringing a level of expertise that we have not seen before.

ITEMS PRESENTED BY BOARD MEMBERS: None

UPCOMING EVENTS: None

ADJOURNMENT: The meeting adjourned at 7:05pm.

DATES AND TIMES OF NEXT COMMITTEE MEETINGS

Planning Committee Meeting – Thursday, January 29, 2020, Location TBA 11:30 a.m.

Policy Council Meeting – Saturday, Dec 21, 2019, Location TBA, 9:00 a.m.

Finance Committee Meeting – TBD, 5638 Hollister Ave., Goleta, 10:00 am

Personnel Committee Meeting – None Scheduled

Audit Committee Meeting – None Scheduled

Executive Committee – February 5, 2020, 12pm, (Location: TBD)

DATE AND TIME OF NEXT MEETING:

Next scheduled meeting is January 8, 2020
Location: CenCal Health, Santa Barbara