

Executive Committee Meeting

Monday, July 23, 2007

Wisconsin Community Bank
1717 10th Street, Monroe, WI

MINUTES

The SWWDB Executive Committee met on Monday, July 23, 2007 at the location above.
Attendance was as follows:

Members Present:	Mr. Scott Stocker, Chairperson	Mr. Tom Larsen
	Mr. James Finley	Mr. Steve Scaccia
	Ms. Margery Tibbetts	Ms. Ann Greenheck
Members Excused:	None	
Guests Present:	Mr. Ron Danowski	Mr. Gary Denis
Staff Present:	Dr. Robert T. Borremans	Ms. Shannon Moe
	Ms. Amy Charles	Ms. Mary Kay Runde
	Ms. Annette Meudt	Ms. Barb Tucker

Mr. Stocker called the meeting to order at 3:02 p.m.

1. Follow-up on the Creation of an Organization to Operate WIA Programs

Dr. Borremans distributed and discussed a handout regarding the creation of an organization to operate WIA Programs. Included in the handout was a Summary of Board and Committee Actions to create a new organization, a Summary of WIA Regulations explaining under what conditions the Board may operate programs, an overview and summary of cost and service delivery structure for new organization compared to the Job Service and the AFL/CIO – LETC proposals, and the statewide performance summary for each of the eleven regions for Program Years 2003 through 2005.

Dr. Borremans introduced Mr. Ron Danowski, Division Administrator, Division of Employment and Training at Department of Workforce Development (DWD) and Mr. Gary Denis, Workforce Training Acting Director.

Mr. Danowski recognized that SWWDB is facing hard decisions regarding program and service delivery in light of declining resources. And, he understands why the board would consider creating a Limited Liability Corporation (LLC). Mr. Danowski stated that there are several reasons why some of the other Workforce Development Boards (WDBs) have created a separate entity for direct service delivery. Mr. Danowski explained the following five points that he wanted SWWDB to consider before moving forward:

The first point is money. Mr. Danowski feels that WDBs may believe they can cut costs in overhead and administration, lower the cost per participant, and improve program efficiencies by sharing staff. The reality is that the State has not seen that Boards contracting with LLCs spend any more money on 35% training than Boards who contract with other agencies. He also stated that the complexity of shared costs between the Board and the LLC could result in disallowed costs.

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The second point Mr. Danowski discussed is performance. He stated that the reality is that it has not been shown that there is an improvement in performance levels between those Boards with LLCs operating programs, and those that do not.

Mr. Danowski's third point is the issue of conflict of interest, which has been an issue in a couple of WDBs in the State. Even the "appearance" of conflict of interest needs to be avoided, with a clear distinction established between the two entities. He used an example of a Board and a LLC sharing office space, and how an employer may not understand that the two entities are separate and could perceive this as a conflict of interest.

The fourth point is the legal technicality and the potential for increased complaints. Mr. Danowski pointed out that there have been ongoing problems and investigations due to legal litigation in the defense of boards, members and staff with conflict of interest issues, discrimination in employment, and the confusion with organization responsibilities and representation. Mr. Danowski added that there have been investigations regarding improprieties with procurement, specifically dealing with real estate and vehicles. The additional costs associated with the defense of complaints must also be considered.

The fifth and last point of concern Mr. Danowski brought up, is the intent of WIA regulations. He said that if the Board looks at the regulations, DOL's intent was that the Boards provide a broad overview of the system, and provide broad oversight.

Ms. Tibbetts asked if the issues he was using were coming from WDBs nationwide or from the State of Wisconsin. Mr. Danowski replied that his comments were nationwide, and added that the State of Wisconsin has done a better job than other States. Ms. Tibbetts pointed out that with the State's support and the sharing of the new standards; that SWWDB could possibly avoid the problems the other regions experienced. Ms. Tibbetts expressed her concern that SWWDB be treated equally and held to the same standards as the other WDAs. Mr. Danowski stated that SWWDB is the first Board to create a LLC since he was appointed as Division Administrator. Mr. Scaccia commented that with the State's guidance and support, SWWDB could be used as a model for other WDAs.

Mr. Finley asked which WDB was the most recent Board to create a separate organization. Mr. Danowski replied that it was the Fox Valley WDB. Mr. Danowski added that some regions made changes "under the wire or off the radar" and that DWD was not aware of their organizational changes until after they were created. He mentioned several serious issues around the state, specifically in the Milwaukee area with the ownership of property.

Mr. Larsen prompted discussion on the assets and employees with a new entity and asked Mr. Danowski about any guidelines from the state and the federal Department of Labor (DOL). Mr. Danowski offered that DOL has looked at several of the organizational structures in Wisconsin, but DWD is waiting for guidance from DOL before they provide guidance to WDBs.

Mr. Stocker commented that the previous improprieties around the state may be unique to the more urban area and pointed out that SWWDB board members are volunteers and organizational accounting practices are based on generally accepted principles of accounting. Board members do not vote on issues where there is a conflict of interest. Mr. Larsen added that conflict of interest and abstaining from voting are specifically addressed in the SWWDB by-laws.

Mr. Larsen asked where DWD stood with regard to reorganization of the workforce areas. Mr.

Danowski stated the regional approach is here to stay, citing the WIRED grant, GROW. He added that, at this point, realignment would be a Board initiated process. He said that although the discussion of merging any of the 11 WDAs and creating larger workforce areas is not currently on the table, DWD would not oppose any re-alignment. Dr. Borremans said while regionalization offers opportunities he was concerned that rural regions would lose out on opportunities compared to urban areas. He also expressed concern that if an area became too large it would be difficult to maintain a local perspective and to get private sector involvement on the board. He also said that if an area becomes too large, data for that region can be skewed against rural area, with lower economic activity, presenting an inaccurate picture of workforce conditions in the region.

Mr. Finley asked Mr. Danowski if SWWDB could partner with the state. Mr. Danowski said that performance and integrity must be upheld. Mr. Scaccia added that it is a trust issue. Dr. Borremans said that it is important for SWWDB to maintain cooperation and good communication with the DWD as SWWDB moves ahead. Ms. Tibbetts said with the state's guidance and insight, SWWDB can address the negatives and learn from the mistakes of the other WDAs. Dr. Borremans commented on the importance of keeping the private sector actively involved and giving them opportunities to have impact on the strategic issues affecting SWWDB. Mr. Danowski stated that there must be a link to training that employers need, and it was noted that the Career Pathway model is a step toward achieving that.

Mr. Danowski and Mr. Denis thanked the committee for the opportunity to speak with them and left the meeting at approximately 4:00 p.m. Dr. Borremans added that he had a meeting scheduled with Brian Solomon on Wednesday and invited Mr. Danowski to attend.

Mr. Larsen opened discussion on the existence of the separate entity and the lack of beginning assets. Discussion continued on starting capital and assets for operation of a new entity, and where these funds would come from. Dr. Borremans added that his interpretation of WIA Regulations is that the One-Stop Operator (OSO), which SWWDB is, may operate programs.

Dr. Borremans commented that to maintain the required "firewall" (separation of responsibilities between SWWDB and the new organization) it would be necessary for SWWDB to contract with a consultant to work with the Board for compliance, monitoring, and WIA local plan development. He stressed the importance of maintaining the separation of responsibilities in order to comply with federal regulations. Mr. Scaccia asked how many members should sit on the new board which Dr. Borremans suggested at the minimum be 3-5 members.

In moving ahead, more information is needed regarding organization roles and layout, asset breakout, labor allocation, the new board, funding, program administration, core and intensive services, and performance measures. The committee directed Dr. Borremans to work with Mr. Danowski on these issues.

Ms. Greenheck excused herself at approximately 4:30 p.m.

Dr. Borremans said he would email the committee further information following his meeting with Mr. Danowski and Mr. Solomon on Wednesday.

2. Adjournment

Motion by Mr. Scaccia, second by Ms. Tibbetts to adjourn at approximately 4:40 p.m. **Motion carried unanimously.**