

6.E.1 Award of Contracts for 2007-08 WIA Programs Recommendation from Executive Committee – (Action)

At the June 13th SWWDB meeting, the Board authorized administration to proceed with creation of a new organization for delivery of WIA services. Since that time, SWWDB has received two letters expressing disappointment and concern about the Board's decision. One letter is from Mr. Brian Solomon, Director, Wisconsin Job Service (**Attachment 1**).

The second letter (**Attachment 2**) is from Mr. Ron Danowski, Division Administrator, Division of Employment and Training at DWD. In his letter Mr. Danowski states that DWD has serious concerns regarding the creation of a new organization and that the Department will be taking a “slightly more involved approach” to ensure compliance with federal regulations. He briefly outlines conditions that will be necessary to create the new organization. These conditions include: a clear separation or “firewall” between SWWDB and the new organization, no overlapping board membership, compliance with procurement regulations, and a distinct branding of the new organization.

On July 23, 2007, the Executive Committee met with Mr. Danowski. He acknowledges 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, while other Workforce Development Boards (WDBs) have created a separate entity for direct service delivery, DWD has serious reservations about such action. Mr. Danowski cited five points of concern:

- Cost Efficiency – WDBs 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 DWD has not seen an appreciable increase in training costs for those WDBs contracting with a LLC. He also stated that the complexity of shared costs between the Board and the LLC could result in disallowed costs.
- Improved Performance – Performance results do not demonstrate that those Boards contracting with LLCs have appreciable better performance when compared to those WDBs who do not use an LLC.
- Conflict of Interest – WDBs are expected to avoid even the “appearance” of a conflict of interest. There needs to be a clear distinction between the WDB and the entity that operates programs. There are concerns that the relationship between a WDB and a LLC does not create the distinction or “firewall” needed to avoid a conflict of interest.
- Increased Complaints – There is increased potential for litigation and expenses associated with defending board members and staff with conflict of interest issues, discrimination in employment, and the confusion with organization responsibilities and representation.
- Intent of WIA – The intent of WIA was that the Boards provide a broad overview of the system and provide broad system planning and oversight authority, not program operational responsibility.

Committee members stated that the Board wants to work closely with DWD in the creation of a new organization to ensure it is consistent with federal regulations. Mr.

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Danowski expressed a willingness to work with the Board, but suggested that changes being contemplated by DWD might address the efficiency concerns of the Board.

On Wednesday, July 25, 2007, Bob Borremans met with Mr. Danowski. It became clear that the steps necessary to comply with federal regulations would take time and that the October 1st target date to have the new organization operational was not realistic. Responding to the Executive Committee's stated intent to work with DWD, Dr. Borremans agreed to delay further action to create a new organization.

The decision to delay creation of a new organization raises a new issue. At the June meeting, the Board acted to reject the proposals received in April in response to the RFP and approved an extension of contracts to current program operators until September 30, 2007. The Board needs to award contracts for program operations for the remainder of the program year (June 30, 2008).

There is a need for the Board to act quickly because current program operators have started their own internal processes to notify staff of a pending layoff effective September 30, 2007. Three options on how to proceed were presented to the Executive Committee on August 2, 2007 for consideration. The three suggestions were:

- Option 1 - Publish a new Request for Proposals (RFP) and have interested parties prepare proposals in response to the new RFP.
- Option 2 - Extend the contracts of the PY 2006-07 program operators for the remainder of the contract period.
- Option 3 - Request the organizations who submitted proposals in April to honor their proposal without change and use those proposals to award contracts for PY 2007-08.

Administration contacted the organizations who submitted proposals and Job Service and AFL-CIO agreed to honor their proposals without change, while Manpower declined. Given the circumstances and because time is critical, the Executive Committee selected Option 3 as the best way to proceed.

The Board, when it approved the RFP in March, incorporated the Career Pathways Model and expressed a preference to have one program operator provide services for all three client groups (adults, dislocated workers and older youth) across the entire WDA. As a result, the RFP indicated a preference for one organization to provide services to both the Comprehensive Job Center (CJC) and the Access Point of Service (APS) sites if possible. Both Job Service and AFL/CIO – LETC submitted proposals to operate programs at the CJC and APS locations.

The proposal review team, during their rating process, scored Job Service slightly higher than the AFL/CIO – LETC. Job Service was the low bidder by a significant amount. Job Service currently operates five (5) of the six (6) service delivery contracts for the WDA. They presently are providing services to the three target populations, while the AFL/CIO would need to "gear-up" to serve adults and older youth. Therefore, administration recommended entering into contract negotiations with Job Service, the low bidder, to operate WIA programs throughout the area for the period of October 1, 2007 to June 30, 2008.

The Executive Committee approved authorizing administration to enter into contract

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negotiations with Job Service with the intent to award a contract to provide WIA services implementing the Career Pathways Model for the period of October 1, 2007 through June 30, 2008.

Before the vote was taken, Mr. Larsen questioned why the Executive Committee was discussing this issue rather than the Program Operations Committee (POC). It was explained that the issue was being considered by the Executive Committee in consideration of time. Time is of the essence because current program operators have begun their layoff processes. Selecting a program operator would allow that organization to rescind layoff notices to retain experienced staff. Delaying action could result in program operator staff leaving their current employment assuming their positions would end in September.

Furthermore, the Executive Committee has been most involved in the process to create a new organization, three (3) members of the Committee served on the proposal review team and are knowledgeable about the content of the proposals and the Executive Committee has authority to act on behalf of the Board in between full Board meetings. Therefore, it seemed most expedient and prudent to have the Executive Committee act on this issue so a recommendation can be made to the full Board at the August 15, 2007 Special Meeting.

Approval to authorize administration to negotiate a contract with Job Service carried unanimously on a roll call vote with Mr. Larsen abstaining.

Negotiations with Job Service have begun and will be completed so the full Board can act to award a contract for PY07-08 program operations. Pending successful contract negotiations, the Executive Committee is recommending the award of a contract with Job Service to provide WIA services, including implementation of the Career Pathways Model, for the period of October 1, 2007 through June 30, 2008.

Action by the Board is requested.