



Northern Middle Tennessee Workforce Board Inc.

APPROVED
JAN. 30, 2025

Northern Middle Tennessee Workforce Board

Finance Committee

Meeting Minutes

July 31, 2024, via Zoom at 9:00 a.m.

Members Attending	Members Absent	Staff & Guests Attending
Mark Peed (Chair)	Kelly Tyler	Marla Rye
Dan Caldwell	Kristi Spurgeon	Andrea Dillard
Paul Webb	David Rutledge	Ginger Fussell
Sho Samuels		Meagan Dobbins
John Zobl		Alyssa Spaulding

The Northern Middle Tennessee Workforce Board Finance Committee met via Zoom on July 31, 2024, at 9 a.m.

With a quorum confirmed, the meeting was called to order by Mark Peed, acting chair. Shoshana Samuels moved to approve the minutes, and Paul Webb seconded. With no further discussion, the minutes were unanimously approved.

CSP Procurement Update

The Executive Committee met on June 14 to review the procurement bids for new Career Service Providers (CSPs). There were four bids submitted. Marla was concerned that the results would not improve and held a strategy meeting with the Tennessee Department of Labor and Workforce with Chairman Zobl. During that meeting they discussed ways to innovate operations over the next year. As a group, they created three demonstration projects.

The state expressed a need to reduce infrastructure expenses and money spent on bricks and mortar. Marla stated that somewhere like Davidson County would be at good location to decentralize as there are community-based organizations to deploy staff to. The state and Executive Committee approved a pilot project in Davidson where the AJC would relocate to the Nashville State Community College Campus on Elm Hill Pike and staff would be deployed into the community. The second project will take place in Gallatin. There has been a recurring issue in the American Job Centers where staff who belong to multiple different partners (EDSI, state, DHS, etc.) have not worked well together. So, in order to see if having everyone operate as one entity would solve the issue, the state will operate the Gallatin AJC. Marla added that the state does not have a mechanism to provide direct participant expenses such as childcare or tuition, so the board will continue provide that function in Gallatin. The third project will be in Montgomery County, where the Board will operate the Title 1 program and functionally supervise state staff. She noted that a few Boards in other Tennessee regions are already doing this. The Northern

Middle region, however, would be almost impossible to control in a quick startup situation due to its size. This model would serve as a small-scale test.

Marla continued that EDSI and MAC will continue services in the rest of the areas until June 30, 2025. The RFP with Thomas P. Miller was nullified to prevent any legal issues that could occur. She believed that EDSI has made a concerted effort and is off to a good start in July. The OSO contract has also been extended for 12 months. Through strategic planning with the State, the OSO currently has greeters in all four comprehensive centers. They are going to do away with them and have a new OSO management position to help with the new changes. The Davidson AJC is looking to relocate from the Metro Center on Mainstream Dr. and partner with Nashville State Community College on Elm Hill Pike. The campus is currently closed, but they want to open the building as a workforce center. They will move 40% of the AJC there and disperse the rest of the staff out in the community. These decisions have been made in conjunction with the Tennessee Department of Labor and Workforce Development as Commissioner Denice Thomas wants to reshape how services are delivered.

The floor was opened to questions, and John Zobl asked Marla what EDSI's reaction had been. She replied that she honestly thought that they were anxiously excited to have nine more months to prove themselves and show that they could make a difference in the community. Mark Peed agreed, saying that he felt that they could prove themselves with this chance. Marla replied that at the end of Q4, they met 75% of the adult, DW, and youth goals. They may have made it to 80%, but they were told in the last two weeks not to enroll just to make that goal. WE staff feared that if they did, the expenditures would come out of the current year and result in a mismatch like last year; they would rather have EDSI prepare for a strong new year. Mark Peed then asked if the AJC was seeing an increase in participation over the last month. Marla replied that there has been an increase, but it has partially been because of an increase in rapid responses. She believes that it was because of those who have faced job loss and are coming in trying to focus on a new opportunity.

John Zobl then asked if EDSI had increased their intensity and if the WE staff had noticed the same intensity a month into the new year. Andrea Dillard replied that the KPIs for the new year have not been received from the state yet, so they have given EDSI the same numbers by quarter from last year in the meantime. They are on track with those KPIs for now. John Zobl then asked if they were as engaged. She replied that she thought so. Based on what she has seen at the locations she has visited, she has seen much more communication between the ground staff and management. They have at least weekly meetings, and upper management has been making physical visits. The staff feels like management is more engaged and giving more guidance than before. Motivation and morale in the centers is better. She noted that she is concerned that if they enroll too many too late in the quarter to meet objectives, performance will suffer later on with people not going to work or retaining employment.

Paul Webb commented that he had lost confidence in EDSI. He is concerned that if they are given another nine months, they will backslide to how they were for the past three years. He is very encouraged by the demonstration projects, especially the one in Montgomery. He liked that the Board will have more oversight and a horizontal review from top to bottom. If people are not performing, they can be changed out immediately without contracts being in the way. He looks forward to seeing the results but has completely lost confidence in EDSI. Marla replied that she believes that the way the Board used to operate allowed for more immediate correction, and actions can be done as needed. She is also excited by the Montgomery model, and if it performs well, there will be systems in place to implement the model in other counties next July.

Shoshana Samuels asked if there is a backup plan should oversight and EDSI fall or if oversight is not as impactful as needed. Marla replied that she supposed the backup would be to take over as the Board and directly hire EDSI staff to promote continuity. She continued that this is where she would like to see the Board go, but not all at once. This is a chance to get our feet wet and see if it will make a difference in our performance. The programs are so complicated right now with State and Federal oversight that she believes the state has lost sight of the true goal to help people and put people to work. She is anxious to see if a difference can be made with these projects. Shoshana Samuels replied that she likes that and is unsure if she has lost complete confidence in EDSI, but she knows that she has great confidence in the board and the direction they are going.

2023-2024 Budget Recap

Ginger Fussell reviewed the budget. Q4 expenditures were \$3M, approximately \$806K higher than last quarter, slightly more than the previous quarter's decrease. Expenditures for the full fiscal year were \$11.6M, approximately 74.6% of the revised 23-24 budget. There has been a \$38K additional increase in apprenticeship funding and a \$324K increase in Tennessee Youth Employment funding, totaling a \$362K increase to the 23-24 budget.

Expenditures in the formula youth grant were \$2.9M, but the budget for the current year was only \$2.4M, reducing some of the planned carryover is for 24-25. However, youth will continue to be served with work experience opportunities funded by the Tennessee Youth Employment program, which has been extended to June 30 as it is anticipated that the State will want more aggressive spending. Formula portions of EDSI and MAC's contracts have been extended until June 30, 2025, due to the demonstration projects mentioned earlier. Marla asked for clarification on if the youth contracts start April 1 instead of July 1. Ginger Fussell replied that April was correct. However, even though the contract is effective April 1 and expenses can be charged back, funding typically isn't given until July.

She then moved on to a five-year comparison. 2023-2024 expenses were approximately \$923K less than the prior year, with an average of \$2.9M in expenditures each quarter. She reminded the Committee that there was a reduction in funding, so grant utilization only dropped 2%. Less was spent, but funding was also less. She also reminded that the grants are 2-year grants each year. Half of the grants expire on June 30 each year. 99.42% of expiring funds were utilized, improving over last year at 97%. Most expired funds were from the consolidated business grant for serving employers. Primarily, all of it was obligated, but for various reasons, employers only spent some or most, but not all, of the awarded amount. The \$8K asterisked is a pending request. All program dollars for the formula grants were spent but the remaining \$8K was admin only. A request has been sent to the State to use that for program dollars. If that is granted, the program utilization will be even higher.

She then moves on to the Q4 MPCR requirements. MPCR decreased to 37.21% from 40.37%. It has been predicted for some time that MPCR would struggle this year, but we made it until Q4 before we dipped below the 40% requirement. One reason for the decrease is the four counties (Montgomery, Houston, Humphreys, and Stewart) participating in a Labor Force Participation Project that focuses on sending people to work directly instead of training. This means that we have fewer direct participant dollars going into training. The other reason is the Tennessee Youth Employment expenditures. It is state-funded, and \$1.1M went directly to participants, but because of how the state policy reads, it does not count towards MPCR. By that calculation, the Q4 MPCR is 37.21%, but if the TN Youth Employment expenditures were counted, the MPCR would be at 44.65% even with those four counties participating in the project.

CSP Trends

Ginger Fussell then continued with the billing trend for the combined Career Services Providers. CSP billing increased by \$583K compared to the last quarter. EDSI, at month 42, spent 97% of the base contract. The remainder of the funding was given in shorter terms, but they did relatively well. MAC utilized essentially all of their funding, at over 99% spent. Mid-Cumberland billed 85% of their contract, which is favorable since it is an overhead expense. They were also able to trim their expenditures from what they had budgeted.

EDSI has met all of their dollar-driven goals contract-to-date. They have also met all dollar-driven goals for the fiscal year to date, but youth MPCR dropped to 48% of the 50% goal. Quarterly, EDSI has struggled to meet MPCR. They fell below 25% in the last two quarters for Adult/DW and in Q3 for youth. She noted that their Adult/DW goal dropped to 30% at the start of the year due to the Labor Force Participation Project, but they are bringing it back up to 50% since NM is still being compared to the state requirement. MAC has met all dollar-driven goals in the contract-to-date and fiscal year to date in Q4.

2024-2025 Budget

The proposed 24-25 budget has been revised with the actual numbers that came in on June 30. Since EDSI only spent 97% of their contract, the 3% remaining will carry over into the New Year. The youth carryover was also reduced, and the Tennessee Youth Employment spent more aggressively than projected, reducing their budget for the year. In total, there is a change of approximately \$763K, bringing the total budget to \$12.2M. Budgeting expenses have been revised to reflect changes by funding stream, and a breakdown of the demonstration projects has been created.

CSP Monitoring

Ginger Fussell recapped that EDSI has assigned additional leadership personnel to address the performance improvement. Their physical on-site presence has increased; they have been onsite three times since the last Workforce Board meeting. They met 75% of their enrollment goals in Q4 and established monthly goals for the current fiscal year, and July goals were met. The OSO contract has been changed to reflect the change in staffing structure Marla mentioned earlier, starting on October 1.

Monitoring

Previously, Thurman and Campbell had considered doing the financial audit for another year. However, after further discussion, they have decided to stick to their initial plan of leaving governmental auditing. The State Comptroller's office recommended that audit procurements go through a request for qualifications, so an RFQ was released. The Comptroller sent a list of recommended firms, and requests were sent to 6 CPA firms.

The Program Integrity Unit, the Department of Labor's monitoring unit, is having more activity each quarter, requiring several responses to be submitted. They are primarily looking at the programmatic side, but they do overlap slightly on the fiscal side with PAR, which focuses on the fiscal management and reporting side. PAR has also started their annual review, and an entrance conference has been scheduled for August 27. The staff has, however, been requested to submit documentation by August 16.

Marla continued that there were three responses from the six requests sent to CPA firms. 2 responses were that they were not doing governmental audits anymore, and 1, Stone Rudolph & Henry, came back with a proposal. She mentioned that she would have liked to have more input but felt that she needed

to make a decision relatively quickly. Stone Rudolph & Henry meets all of the technical qualifications and agreed to conduct the audit at the same cost paid last year for the audit service. She also met with the previous auditor, Ankur, with Thurman and Campbell, to get his input on the new firm, and he believed that they would be a good company to go with. With all of that in mind, Marla recommended that they move forward on Stone Rudolph & Henry to ensure that the audit is completed before the December 31 state deadline. Mark Peed asked if the proposal was for one year, and Ginger replied that he was correct. They would start with a 1-year commitment, and they gave a quote of fees with just a cost of living increase for five years in their proposal.

Action Items

Ginger Fussell reviewed the requested action items. The first item was to approve the 23-24 budget of \$362k and the 23-24 financial report. The second item was to approve the revised 24-25 budget. The third item was to move forward with Stone Rudolph & Henry as the new financial auditor. A motion was made by Paul Webb to accept the items as listed. The motion was seconded by Shoshana Samuels. With no further discussion, the committee approved the action items.

By-law Changes

The Tennessee Department of Labor and Workforce Development requires that bylaws be updated every two years. An edited version of the current bylaws was included in the materials for members to review before the Board meeting. The changes made were in the formatting and language that the state recommended regarding the board's roles and responsibilities. The actual roles and responsibilities have not changed. The amendment will take a 2/3 vote of the entire board, and that action will be made at the Board meeting.

Adjourn

Marla reminded the Committee that the August 14 board meeting will be at the Tennessee Bankers Association with the County Mayors. Then, with no further questions, the meeting was adjourned.