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February 7, 2000

To: CAO Board of Directors and Staff Team

From: Jerralynn 

Subject: CAO Planning Retreat – March 10, 2000

This is a reminder that we have scheduled a planning retreat to be held Friday, March 10, from 8:00 AM until 3:00PM at the Tilikum Retreat Center. This center is located between Gaston and Newberg at 15321 N.E. North Valley Road, Newberg, 97132. Their phone number is 503-538-2763. Attached you will find a map with directions. Please give them a call if you have any questions about the directions.

Holly Pruettt will be our retreat facilitator. Holly is an independent organizational and communications consultant from Portland. She has fifteen years of experience as a non-profit administrator, public relations executive to public interest projects and as a community and political organizer. She specializes in program development strategies that engage the community and build a broader base of support for achieving organizational and community goals. Holly is very familiar with community action organizations, and has been consulting with some in Oregon.

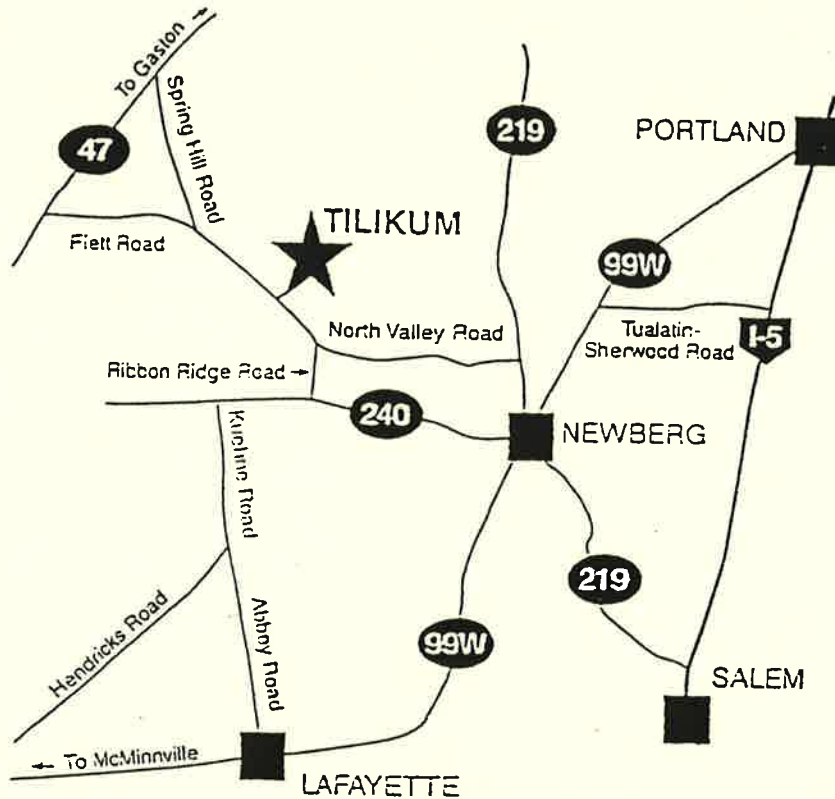
Holly has been conducting an organizational assessment of CAO to develop recommendations or options for changes CAO can make to become financially solvent. She will provide a background report of her findings and observations, which will be sent in advance with the agenda and other retreat materials. The Planning Committee has provided invaluable input into the day's agenda and process. Attached is a summary from their last meeting and other background information. In addition, Kay Sohl, a CPA and the Executive Director of Technical Assistance to Community Services, has reviewed the administrative and fiscal side of CAO. She will also provide a report for background and informational purposes.

I want to thank all of you for your support in helping CAO plan wisely for its future. We have tremendous potential to move beyond our current situation to achieve financial stability and strength. We have an exciting vision and viable plan for increasing private support and we have the fiscal systems, tools and expertise to manage well. Our planning retreat will help us to focus our resources and expertise on priority programs and services that are not only sustainable, but that can be delivered with excellence. And in doing so, we position ourselves to be of even greater service to the community and to those who need us most. Again, thank you and I look forward to March 10th.

CC Colleen Chandler
K/planning/planning retreat 3-00 memo



Center for Retreats and Outdoor Ministries
A Ministry of George Fox University
 15321 N.E. North Valley Road, Newberg, Oregon 97132
 Phone (503) 538-2763 Fax (503)538-7536



Directions to Tilikum* from . . .

I-5 South – Head south through Portland and take the Tualatin/Sherwood exit (#289). Turn right and follow Tualatin-Sherwood Road five miles to Hwy. 99W. Turn left and head southwest for eight miles, driving through Newberg to the west side of town. Follow the directions from Newberg listed below.

I-5 North – Head north from Salem and take the Brooks exit (#263). At the top of the ramp, turn left across the overpass, heading west. At the next stop sign, immediately after crossing the railroad tracks, turn right and head north on Hwy. 219 into Newberg. At the stop light at Hwy. 99W, turn left, driving through Newberg to the west side of town. Follow the directions from Newberg listed below.

Newberg – Turn right (north) at the intersection of Hwy. 99W and Hwy. 240 (Chehalem Valley sign). Follow Hwy. 240 for 5.3 miles. Turn right (north) off of Hwy. 240 at Ribbon Ridge Road. After one mile, bear left at the junction onto North Valley Road. Watch for the Tilikum entrance sign on the right (one mile).

Forest Grove – Head south on Hwy 47 toward Gaston. Three miles beyond Gaston, turn left onto Flett Road (Autumn Wind Vinyard sign). After 1.5 miles Flett Road veers to the right, becoming North Valley Road. After four miles, look for a small Tilikum sign on the left. The entrance to Tilikum is a sharp left turn into the driveway.

McMinnville – Take Hwy. 99W toward Newberg. After entering Lafayette, turn left onto Bridge Street (Bill's Market on the right), which becomes Abbey Road. Follow Abbey Road past the Trappist Abbey and bear right at the junction with Hendricks Road, where Abbey Road becomes Kuehne Road. Turn right off of Kuehne Road onto Hwy. 240 and proceed 0.7 miles to Ribbon Ridge Road. Turn left onto Ribbon Ridge Road. After one mile, bear left at the junction onto North Valley Road. Look for the Tilikum entrance sign on the right (one mile).

CAO Planning Committee Meeting - February 23, 2000

Overview: The committee felt that the board was well prepared for the task at hand and didn't require much time for making the case for change or laying the groundwork. They feel that their best contribution as board members would be to give feedback on options for reducing spending for the next budget cycle. They would like for the options to be developed collaboratively between the consultant, to bring that outside critical view, and staff, to bring in-depth knowledge. And, they feel that in the process of evaluating and debating options our values will surface, and these values can be applied to programmatic decisions that staff will need to make.

Agenda: They have requested that the first half hour remain the same, that the consultant take the next 15 minutes to set the stage and summarize findings (which have been mailed in advance), that the rest of the day be spent on evaluating options and that the last half hour remain the same. The outcome they hope for is: to provide staff with a "directional" recommendation on a set of options they believe hold the most potential for getting us where we need to be. Where we need to be as of July 1st is on track for financial stability. They also recognize that the discussion will surface items for long term planning, which can be captured for future discussion.

Evaluation of Options: This task was described as a "radical examination of radical options"; as a way to have the board help us think through our dilemma; as an opportunity to debate each option as a way to explore it as a directional exercise to determine what we really think about it; as a way to challenge us to apply critical thinking, thus changing the way we evaluate programs. We were encouraged to lay out viable options that we don't like but which may be advisable if we are to achieve financial stability. For example, one option might be to decide that every program needs to "pay for itself". What process would we follow for those that don't meet this test? Do we "prune" them? Look for other service providers in the county who might be able to provide the service? Dedicate our development efforts to raising money for them?

Option Definition: The committee is interested in what they described as "directional options", ones that don't focus on program detail but give policy direction. Examples would be: Allocate X% of discretionary funds to rebuild cash; X% to reduce overhead and the balance can be used to subsidize under-funded, key activities. Develop a zero based budget and prune out all activities and expenses that aren't funded. Critically focus resource development efforts on high priority programs that don't carry their weight. Move out of direct service delivery by subcontracting more and transferring where possible. No longer take on programs if..... Develop alternative ways to deliver X services.

In Summary: The Board Planning committee recommends that the majority of time at the retreat be dedicated to a robust discussion of various stances the organization could take toward programmatic decisions. Although we have a mission statement that extends open arms to the community, the Board recognizes that it needs to develop critical-thinking skills to help it recognize when to turn down an opportunity to serve. This planning retreat must help the Board and staff to develop those skills.

2000-2001 CAO Planning

The Challenges to CAO

- increased need for services and partnerships
- rapid growth of the organization
- increase in programs unable to cover their costs
- inability of CSBG and discretionary funds to keep up with program needs
- a deficit of \$230,000 from the building project
- program deficits accruing to another \$350,000 to \$400,000
- increased need for unrestricted funds; resource development's inability to keep up with this demand
- high cost of occupancy
- need to pay competitive salaries
- greater accountability required by funders
- staff resources stretched to the maximum
- increased need to utilize and manage more technology

Action Required

CAO is taking the following steps:

1. Implementing a plan to cut a minimum of \$200,000 out of current FY 99-00 expenses; or to add an equivalent amount in new revenue for existing costs. In addition, a hiring and spending freeze has been instituted for the balance of the fiscal year.
2. Developing a plan for FY 00-01 that is based upon:
 - an analysis of the organization's administrative needs
 - balancing program expenses with designated revenue, as well as unrestricted funds where critical to cover overhead costs;
 - continued investment in resource development plan;
 - creating an unrestricted fund surplus to rebuild cash and reduce deficits;
 - utilizing CSBG in a manner that is most beneficial to the overall health and viability of the organization.

The Process for 2000-2001 Plan Decisions

CAO will engage a consultant to provide a review of the organization's administrative and program structure in order to identify more cost efficient and effective approaches for CAO to consider. The consultant will meet with the Director's and Program Managers on February 8th to confirm the project and its scope. A Board and management staff planning retreat will be held on March 10th with the consultant as facilitator. The consultant will present her findings and recommendations as part of the retreat agenda. The purpose of this retreat will be to establish priorities for FY2000-01 and the changes that will be required to achieve our goals. This planning session will give direction to

CAO's FY2000-01 budget development, which will go to the Board in May. The agency's strategic plan may be revised in the process.

Key Questions for the Consultant to Address

1. What are the essential administrative functions needed by CAO and how can we organize them to be more cost efficient?
2. How can CAO effectively deliver our services in a more cost efficient manner and what are the implications to us, our structure and the community?
3. Based upon CAO's current financial situation, are there programs that we should no longer operate and if so, which ones, why and what are the implications?

Background

Since its inception, CAO has been driven by its mission to serve the needs of the low-income community. Our organizational decisions have been prioritized based upon community needs and our perceived role in meeting those needs. Because of this focus, CAO has taken risks, been open to change and been willing to step in and fill gaps or provide leadership when asked. We have done this in order to preserve needed services or advance our ability to serve the community, whether it is for low-income people, the church community, local government or other non-profits. Not every decision or action has worked out in the best financial interest of CAO, even if it has met the needs of our clients or our partners.

All of our decisions combined have accelerated the organization's growth, increasing the number of CAO programs that are not fully funded. As our program offerings have increased, our agency has become larger and more complex. This has required a higher level of skill and organizational sophistication to operate successfully. At the same time, discretionary and private funds have not increased at the same rate needed to support the current operation. This has resulted in an investment in our administrative, management and development functions in order to increase and maintain the level of expertise required to adequately support our funders, programs, staff and board. Our new facility, while meeting our needs for space, is expensive for our programs. Our administrative fee of about 9.8% exceeds what the majority of our grants allow or programs can afford. And in the past few years, CAO has needed to commit to technology improvements in order to operate effectively in this era of major technological advances.

Over the past fifteen years, CAO has grown as follows:

- *1984: \$2.5 million budget and 80 staff*
By this year, Head Start had experienced a large expansion and CAO was beginning its first efforts to reach out to the community for private support, recognizing that CSBG was not adequate to support service demands and funding shortfalls.
- *1992: \$3.8 million budget and 100 staff*
In 1987 CAO completed a comprehensive strategic plan. In 1988 Neighborshare was established in collaboration with the east county and in 1990 CAO hired its first Development Director. By 1992 CAO was exploring the feasibility of a capital

campaign to build a new facility to handle expansion needs and to consolidate programs from 5 offices into one. The plan was to fund the building through a combination of CDBG funds and private dollars, thereby reducing occupancy costs by about \$100,000 per year.

- *1995: \$4.5 million budget and 140 staff*

CAO celebrated its 30th anniversary and changed its name from WCCAO, by dropping Washington County. The new facility was built and programs moved in, bringing multiple services, including Head Start classrooms, under one roof. Space was initially made available to five partner agencies: Educational Service District, La Casa del Futuro, PCC Even Start and Adult Literacy, Cascade Aids and the Housing Development Corporation. In later years, the child development center has been made available in the summer to Migrant Head Start. Facilities management support was added. The plan to be debt free was not realized. Funds raised covered about two thirds of the cost; a mortgage was taken but it was \$230,000 short of what was needed, creating a deficit for CAO. The mortgage itself increased occupancy costs to programs housed at the new facility. CAO borrowed against its shelter home facility to bring \$200,000 cash into the agency to help alleviate the impact of the \$230,000 shortfall.

- *1997: \$6.1 million budget and 170 staff*

CAO began implementation of its second comprehensive strategic plan. All programs were consolidated under a Deputy Director, or a chief operations officer, to bring the skills needed to manage a diverse and complex set of programs and budgets. Technology and human resources support was added; general clerical pool positions were reassigned to programs. Head Start experienced a large expansion. Family Care of West Tuality dissolved and merged with CAO, adding about 20 staff and critically needed child care related services. These services include: A Kid's Domain (before and after school child care), Metro Child Care Resource & Referral (a parent and provider service) and ABC Soup (a child nutrition reimbursement service to family child care providers). CAO had no previous experience with a corporate merger and the need to raise additional capital for the merger to be financially successful.

Community Resource's Information and Referral received funding to re-build the system into a community collaboration. General emergency and basic needs services continue to be inadequately funded. CAO attempts to cut back hours of service at Neighborshare in response to inadequate funding; the community has a strong, negative reaction; services are re-instated the following year. CAO's fiscal system was extremely outdated and inadequate. The accounting system was converted to ACCPAC and the fiscal department was completely rebuilt in order to obtain the skills needed for a more complex, highly automated fiscal operation.

- *1998: \$7 million budget and 185 staff*

Hired a new chief financial officer to bring the skills needed to manage a complex fiscal operation. Transitioned from Mardi Gras as our Annual fundraising event to the "Celebration of Community Spirit" business partners award banquet, which was a

financial success (cleared \$15,000 first year and \$28,000 second year; never cleared more than \$15,000 with Mardi Gras). Performed a market wage study and implemented a new salary structure, increasing salaries for most positions. Healthy Start, Inc. dissolved and transferred Opening Doors to CAO to operate. This increased staff by 12 people and brought important maternity outreach services to high risk, low-income pregnant women. This program came with adequate capital to cover their costs, in addition to an infusion of cash into the organization. The Board Planning Committee takes on the challenge of how to stabilize an emergency services delivery system for the community. The need for private funds continued to grow. CAO hired an outside consultant to evaluate the agency's capacity to raise more money and to recommend changes in our resource development plan in order to do so.

- *1999: \$8 million budget and 220 staff*

Began implementation of the consultant's recommendations to expand and mature our development program. A chief development officer was hired to bring the skills needed to advance the agency's development efforts and over time, significantly increase funds raised. Head Start continues to grow and all classrooms, except in Hillsboro, are co-located in public schools. With the exception of Head Start and Weatherization, most CAO programs are inadequately funded and need discretionary or private funds to balance their operational budgets, particularly with the high cost of occupancy at our multi-service center. Currently, Opening doors is adequately funded, but this could change as it loses CDBG support and if private partners back out.

CAO, in partnership with the County and leaders from east Washington County, agrees to re-open the new shelter home in Tigard and operate it for one year. First year funding is secured; a local non-profit intends to take over in the second year. CAO partners with the three shelters and the county to explore long term funding solutions for all three; a five-year levy is being explored. The Legislature passes an energy de-regulation bill that will bring substantial new dollars to CAO's energy assistance program, resulting in the need to plan for a year round program and a new model of service delivery. Hopes of an additional \$200,000 from CDBG for CAO's building fade as the 6-30-00 deadline approaches and most available cash from CDBG has been allocated to the Tigard shelter. In the meantime, CAO's cash problem has grown to \$5-600,000.

Proposed 1999-00 Budget Reductions

	<u>Reduction</u>	<u>Savings</u>
1. <u>Administration</u>		\$58,000
Spending Freeze	41,000	
FTE Reduction	17,000	
(1) Janitor		
(.25) Receptionist		
(.75) Human Resource Asst.		
 2. <u>Resource Development</u>		 \$34,000
Eliminate Consultants	20,000	
Reduce Mailings	14,000	
 3. <u>Child and Family Support</u>		 \$26,943
Planned Leaves	8,404	
Reduced FTE	15,039	
Reduce training budget	3,500	
New Revenue		\$8,220
AKD/CCF	2,970	
CCRR/CCF	3,250	
CCRR/AFS	2,000	
 4. <u>Community Resources</u>		 \$30,800
Reorganize Neighborshare	11,423	
Reduce staff FTE	8,127	
Reduce training budget	1,500	
Close Shelter 2 weeks	5,500	
Eliminate Counseling Contract	2,250	
Reduce SAFAH Client Fund	2,000	
New Revenue		\$75,000
Energy Administration	25,000	
Energy Program	50,000	
Total Savings		\$232,963

COMMUNITY ACTION ORGANIZATION

Our Vision

Washington County's residents are strong, resilient, involved in the community, and live with dignity and security.

Our Mission

In partnership with the community, Community Action assists low income people to achieve self-determination.

Our Values

Accountability

CAO is responsible for its actions and impact upon the community.

Adaptability

CAO approaches its mission with a holistic view and openness to change.

Collaboration

CAO develops and works in partnerships.

Compassion

CAO acts with compassion for all people.

Excellence

CAO provides creative leadership and high quality, effective service.

Inclusiveness

CAO acts with integrity and respects the dignity and equality of every person.

Self-determination

CAO promotes organizational and individual empowerment.

Social justice

CAO advocates for low-income people and works to reduce the incidence of poverty.

Stewardship

CAO uses funds wisely and resourcefully to further its mission.

Teamwork

CAO values all members of the staff and supports their ability to contribute to organizational goals and to their own futures.