

## **NEW HORIZONS –BOARD OF DIRECTORS MEETING**

**September 28, 2016**

**6:00 PM**

### **PRESENT**

M. Aguila, R. Ashley (staff), S. Azizollahi, G. Baker, J. Bunzel (Chairman), R. Burkhardt, C. Donahue, J. Eissele, A. Goodstein, S. Jaffe, B. Krowne, H. Lennartz, D. Martin, K. Miles, P. Murray, J. Noblitt, K. Peter, G. Santilli (staff), J. Savin, C. Sewell (CEO), R. Silverman (staff), C. Ward, S. Weitkamp, M. Veals (staff)

### **ABSENT**

D. Adelman, M. Englander, A. Reese.

**CALL TO ORDER:** Chairman John D. Bunzel called the meeting to order at 6:10 PM.

**CONSENT AGENDA:** The Consent Agenda was approved as presented.

### **ANNOUNCEMENTS/REVIEW OF MEETING CALENDAR:**

- Chairman Bunzel went over the format for the evening's meeting.
  - Summary from Colin Donahue
  - Comments from the Committee Chairs
  - Open Discussion
  - Summary of Strategic Questions/Recommendations
  - Motions of Item #s 3, 4 and 6
  - Discussion
  - Vote

Chairman Bunzel thanked the Board and staff for the time spent doing the work to help create the Framework and Strategic Questions. He stated that the Board was there to make decisions on strategic issues. We need to re-think and redefine our Cultural Identity. We all care about the organization and have a job to do what is best for New Horizons and its clients.

### **BOARD DISCUSSIONS**

#### **STRATEGY QUESTIONS AND VOTE (ON SELECT QUESTIONS)**

Strategic Committee Chairman Colin Donahue spoke about the process to get to the Strategic Questions and Framework. There were three very well attended Strategic Planning Committee meetings which were very helpful. We talked about the programs and finances that affected the decisions that must be made. We must consider the long-term best interests of the clients for every decision, not just what's best for the organization or only what is best financially.

Programs and services are heavily weighted to the community. We will have to move more to that direction.

The Achievement Center has 200 of our most vulnerable clients. They are not able to go to Supported Employment. So how do we move them to the community? The campus would be used a hub with the clients meeting here before and after time spent in the community.

We have limited cash reserves, including the line of credit. This limits our abilities to pursue some opportunities and innovate. We need to look at resources we have and how to best leverage those.

We need to take the next 3 months to determine the value of our land/property and look at other ways it could be used. As we make decisions, we must consider our facilities and the deferred maintenance.

Committee Chairs Chris Ward (Program Committee) and Stu Jaffe (Finance Committee) were asked for their input/thoughts. Ms. Ward said that we are at a point to move forward and address mandates and adapting

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our programs and services to meet them. We need to make the clients and families comfortable and keep them informed.

Mr. Jaffe stated that our focus has been on the clients and our mission. We should see inclusive environments as an opportunity, not detrimentally or disruptive. We want to continue to provide a high level of services. We are not looking to sell our land right away. He asked if we should consider acquiring the Day Care Center.

Ms. Ward added that we've already started expanding our services, which is helpful and puts us in the forefront of other agencies.

Mr. Jaffe further shared that if you read the current Strategic Plan, it bears no semblance to where we are headed.

Chairman Bunzel opened the floor for discussion.

Director John Eissele asked if there is any guidance about what campus-based programs are acceptable? They must all be inclusionary. There is no exact integration ration. There cannot be any person on campus all day. The subminimum wage provision will likely soon be terminated. We will not be able to pay a full Workshop minimum wage.

Director Alan Goodstein said we should look for uses for the Workshop and made suggestions such as:

- Turning the Workshop into an Art Center and selling the clients artwork and sharing the profits. He also expressed that he feels we should look for a new CEO.
- Offering classes
- Workout facility

He felt that no creative uses for the campus had been put forth and that the focus seems to be on pushing toward going into the community.

Director Dana Martin stated that just because we don't do the things that were just suggested, it doesn't mean that those things can't be done later. We need to embrace, adapt and change to meet regulations or risk losing funding.

Director Heidi Lennartz expressed concern over the lack of cash reserves.

Director Ron Burkhardt, speaking as a realtor, said that it is hard to move forward if you don't know what you have. The value of the land could be used to help the organization continue on. It is becoming harder and harder to keep what you have and grow in the non-profit world. He also said that he has been seeing more and more mergers & acquisitions. He also shared his experience with ECF and their business model.

Director Shawn Azizollahi suggested forming a committee to find businesses to use the Workshop. He asked if we had reviewed the Art Center model. He also said a financial plan is crucial since we only have about 2 months cash reserves. And, we need a plan for where people will go once the Workshop and Achievement Center close.

Vice Chairperson Sue Weitkamp said that the first thing we should do is find a new CEO with vision to help us make these decisions.

Director Patrick Murray said that we should gather as much information as possible. Do an assessment of the land and liquidity available to us. We are talking from a position of strength, which is a good thing.

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Director Kurt Peter said that he looks at details to decide what to build and how. We should look at the skills of the Achievement Center clients. What can they do? As far as finances, what can we afford? Some company may want to come in and lease the Workshop. How do we serve new clients? What do we offer them?

Director Glenn Baker stated that the Strategic Process has been overdue. We are about halfway through. We are at the point of fact-finding/doing research. What is the right mix between financial stability and our mission? We should do more of that before finding a CEO.

Director Jeff Noblitt shared that we need to be assessing a lot of things at once (land/a new CEO/Workshop use).

Director Colin Donahue said we must weigh the alternatives. How long can we risk on a program losing money (i.e. the Workshop)? We need to make decisions now that will keep us as a viable organization.

Director Barry Krowne was impressed by the depth of humanity to find appropriate opportunities for all of the clients. He said that we have every intention to keep providing opportunities. Our #1 duty as Board members is fiduciary. We should do our job first, and then find a CEO to implement the vision. Staff will implement the vision. We should put our trust in them.

Director Jerald Savin stated that funding cuts to mental health seemed to lead to the large homeless population that we see. What are the assets of the organization for serving clients and keeping business open? Having only 2 months reserves is a concern. What is our run rate? CFO Greg Santilli answered that the monthly run rate is \$1.2 million. It will be \$1.4 million when all positions are filled.

Director Michael Aguila asked what is being done with the clients in the Workshop. If we get rid of the Workshop, will the Achievement Center be overcrowded? What happens to the staff in the Workshop when it closes? Will they be reassigned? He also said that 1-2 months' cash reserves are not enough to operate for many years. There are lots of issues. We need to take more time to make decisions.

COO Roschell Ashley stated that a task force with a cross-section of people was created a year ago. They were presented with the upcoming legislation and asked what they would do. Further, consumers have been met with and asked what they would like to do if they were not in the Workshop. Tracks have been created for their choices (i.e. take classes, Supported Employment, recreational activities, Achievement Center, volunteering). Individual meetings were held with families and consumers to help them decide what they want to do (called person-centered planning). Jeff Noblitt asked about the financial stability of these options. Ms. Ashley said that the Workshop has the lowest reimbursement rate. The programs reimbursement rates are double that of the Workshop.

CFO Greg Santilli shared that a flexible financial model has been created. It is about 90% complete. Additional funding from MCO tax will represent about \$500,000 revenue to New Horizons. The MCO funding may help us to increase our reserves.

New Horizons' cookies are being marketed. Clients have been promoting the product in the community. There is also the VIC partnership that is providing opportunities for the clients.

There are about 220 clients enrolled in the Workshop. About 18 are not able to be in a community setting. We will request a waiver so that they can be in a campus setting for a time to prepare them to be in the community. Everyone has been assessed and will be placed. Those already in the Achievement Center, will

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go into the community more. They may take classes. We may partner with groups to come to the campus or the clients may go out to participate in community activities. The 15 classrooms will no longer be needed.

**Question #3 from Strategic Questions for New Horizons** – Based on the Strategy Screen, are we ready to may any programmatic decisions?

**Q & A and Discussion of Question #3**

If we lease the Workshop and consumers are hired, is this still considered phasing out the Workshop? Yes.

COO Roschell Ashley shared information about a food delivery program to a Mental Health Organization that was recently started at New Horizons. It created 6 jobs for consumers. She also mentioned that new contracts with the Workshop are being bid at higher rates to cover minimum wage increases. Director Kurt Peter asked if this could support the proposed 12 clients that would be assigned to the Workshop part-time? Yes, it will. Director Chris Ward said that some clients may only be able to work 1 hour for minimum wage to be careful not to infringe on their benefits.

Director Glenn Baker clarified that we are abandoning the “Anheuser-Busch” model (where a company leases the Workshop and hires New Horizons clients to work alongside their staff) at this time, unless a great opportunity comes along.

Director Michael Aguila asked what will happen to the staff in the Workshop. A plan has been developed to move the staff to community coaches. Those with language barriers or cannot drive will experience a layoff.

**MOTION:** A motion was made to vote “Yes” on Question #3 and support the conclusion of the Strategic Planning Committee to phase out the workshop and pursue a community-based model by June 30, 2017.

The motion was seconded and approved with the following vote count: “Yes” votes - 15; “No” votes – 2; 1 abstention.

**Question #4 from Strategic Questions for New Horizons** – Based on the Strategy Screen, should we explore with more seriousness a merger or strategic opportunity with one or more candidates?

**Q & A and Discussion of Question #3**

The Succession Planning Task Force will do due diligence with search firms for a CEO.

What does more research into M & A (merger & acquisition) mean? Discussion will be had with organizations to see what they are thinking and how a partnership could work. Informal meetings have already been held with two organizations.

Director Glenn Baker said that an M & A is not set in stone. We don’t need a big organization with a big endowment to come rescue us. This is an opportunity to leverage infrastructure and grow. We want a mutually beneficial merger if we enter one.

Director Jeff Noblitt asked if during the next 3 months we should simultaneously search for a CEO while we are exploring the M & A.

Director Patrick Murray said that we’d have to divulge to the potential CEO that we are exploring an M & A. It is hard to extend a long term contract if 3-6 months later we decide to merge.

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By January 1, we should be able to tell a search firm what we are looking for in a CEO. Director asked if the Board will be able to ask for an extension if not ready to make a decision by January 1. Yes.

**MOTION**: A motion was made to vote “Yes” on Question #4, that we explore with more seriousness a merger or strategic opportunity with one or more candidates (with the caveat that we support the Strategic Planning Committee recommendation to make final decisions by January 2017).

The motion was seconded and approved with the following vote count: “Yes” votes - **18**; “No” votes – **0**; **0** abstentions.

**Question #6 from Strategic Questions for New Horizons** – Based on the Strategy Screen, are we ready to make any land use decisions?

**Q & A and Discussion of Question #3**

We need to know the value of the land when exploring the M & A.

**MOTION**: A motion was made to vote “No” on Question #6, (supporting the Strategic Planning Committee recommendation) pertaining to land use (with the caveat that we take until January 2017 to better understand valuations, zoning restrictions, and other critical information about the property and our various options).

The motion was seconded and approved with the following vote count: “Yes” votes - **18**; “No” votes – **0**; **0** abstentions.

Director Glenn Baker has been asked to lead an Exploratory Task Force to explore land use and valuation, merger & acquisition possibilities and other necessary research.

**ADJOURNMENT**

The staff was dismissed so that the Board could go into an Executive Session.

The meeting was adjourned by Chairman Bunzel following the Executive Session.

The next Board meeting will be held on Wednesday, October 26, 2016 in Sam’s Café.

**Submitted by:** Michelle Veals, Executive Assistant

**For:** Ken Miles, Board Secretary