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**MEMO**  
**March 3, 2000**

**TO:** CAO Board of Directors and Staff Team

**FROM:** Jerralynn Ness *JN*

**SUBJECT:** CAO Planning Retreat

Enclosed please find the following materials for our retreat on Friday March 10<sup>th</sup>.

- Agenda
- Summary Finance Status Report
- Organizational Assessment Report by Holly Pruett, our consultant and facilitator.

These materials are in addition to the packet of information that was sent out last week. That packet included a map and directions to the Tilikum Retreat Center which is located between Gaston and Newberg.

Please take some time to review all these materials prior to the retreat. We'll plan on gathering at 8:00 AM (coffee bar and lunch will be available) and will start at 8:30.

I want to thank you all for contributing your time and energy in order that CAO can address our short-term difficulties and set the stage for our future success.

# CAO PLANNING RETREAT

MARCH 10, 2000

8:00 AM – 3:00 PM

## AGENDA OUTLINE

1. **Gather for coffee** (8:00 – 8:30)  
  
**Introductions – Holly** (8:30 – 8:50)
    - Includes an icebreaker, sets comfortable tone
  
  2. **Welcome, Purpose of the Day, Expected Outcomes – Jerralynn & Ralph**
    - Why we're here and what we'll accomplish (8:50 – 9:00)
    - Messages from ED & Board Chair of hope, inclusion, appreciation
  
  3. **Overview of Findings – Holly** (9:00 – 9:15)
    - Holly presents a brief summary of observations from the assessment process as a framework for the day's discussion
  
  4. **Discussion of Directional Options** (9:15 – noon)
    - The charge from the Planning Committee – Craig
    - Method for considering options:
      - Each option will be taken in turn.
      - First, the facilitator will take questions for clarification, to make sure everyone's on the same page for the topic at hand.
      - Second, the facilitator will moderate a free-wheeling, open discussion by all participants to explore the ramifications of the option.
      - During discussion, the facilitator will note "Pros" & "Cons" on flipcharts.
      - After initial exploration, the facilitator will help the group to narrow its focus, e.g. systematically reviewing and debating "Pros" & "Cons;" focusing on newly emerging dimensions of the issue, etc.
      - At certain points the facilitator will do a process check for the group to determine whether it's nearing a decision, whether the topic should be tabled for later resolution or further study, etc.
    - The facilitator will also track items on 2 wall charts: "Long Range Issues" and "Value Choices"
- Break** (10:15 – 10:30)

**Lunch Break**

**(noon – 12:30)**

**5. Discussion of Directional Options, continued**

**(12:30 – 1:30)**

**6. Analysis & Action**

**(1:30 – 2:30)**

- Based on the direction of the options discussion, the facilitator will shift the focus to resolution of issues on the table
- Possible focus: discussion and decisions on the "Values Choices" charted throughout earlier discussion

**7. Next Steps & Evaluation**

**(2:30 – 3:00)**

- Holly will recap assignments, next steps in process
- Holly will lead an evaluation of the retreat process
- Closing remarks

**Community Action Organization**  
**Organizational Assessment Report**  
by Holly Pruett  
March 1, 2000

**I. A Note on Method and Approach**

Facing key organizational challenges, CAO engaged me to review the organization's administrative and program structure in order to identify more cost efficient and effective approaches for CAO to consider. The scope of inquiry was defined through the following questions:

1. What are the essential administrative functions needed by CAO and how can they be organized to be more cost efficient?
2. How can CAO effectively deliver services in a more cost efficient manner and what are the implications to CAO structure and the community?
3. Based upon CAO's current financial situation, are there programs that should be candidates for termination and if so, which ones, why, and what are the implications?

In my initial collection of data, I found that CAO was asking all of the right questions and capably developing viable options to address the difficult circumstances facing the organization. The limited time available for my assessment prevented me from working hands-on with CAO's programs and services (as an auditor might) to discover opportunities and needs that CAO was not already identifying itself.

Consequently, in collaboration with the Board of Director's Planning Committee and Executive Director Jerralynn Ness, my charge was directed towards the development of "directional options" focused not on program detail, but on underlying policy. These options, described in Section IV of this report, do not imply recommendations, but offer an opportunity for Board and staff to explore the policy direction that will guide operational decisions.

In addition to these directional options, this report includes observations on current problems and the foundations for change.

**II. Problem Statement**

CAO planning documents describe the current situation as follows:

*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.*

These challenges are summarized by CAO as:

- 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
- 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

These challenges paint the picture of a highly stressed system. CAO is under considerable financial pressure at this time. The building project and mergers marked the transition from a relatively small agency with small surpluses and deficits to a relatively large agency grappling with significant deficits. CAO has grown quickly without making sufficient investments in its infrastructure to improve its management of programs. Community need has increased as a result of external forces including welfare reform, the high growth rate in Washington County and high housing and childcare costs.

It is important to note that despite these challenges, CAO is highly regarded in the community, exhibits many signs of organizational health, and has won accolades for the quality of many programs and services. I observed a system that brings a high level of skill and integrity to meeting the needs of both the community and its internal members.

In addition to the challenges identified by CAO above, I also observed several other factors at play.

1. **Mission** – A core strength of CAO is its dedication to its mission. This has led CAO to prioritize the needs of the community and programs serving the community over the needs of CAO, as stated above. CAO faces a fundamental policy question: is the stability and sustainability of CAO essential to the advancement of the mission; or do the programs and services which meet the needs of the community have precedence?
2. **History** – CAO has a thirty-five year history of being, as many have described, "all things to all people." This has created internal habits and external expectations. If CAO decides to change its role from this catch-all function, it will require deliberate and systematic attention to address the resistance likely to come from both inside and outside the agency.
3. **Culture** – Like many humanistic systems, CAO appears to exhibit an avoidance of the pain inherent in changes such as cutting jobs; demanding higher quality performance from programs or staff; exposing and resolving underlying institutional conflicts; and so on. The laudable tendency to avoid pain helps to maintain the status quo.
4. **Infrastructure** – In order to preserve programs and services, CAO has placed a lower priority on central administrative functions. As a result of this insufficient investment in administrative infrastructure, programs and services are not uniformly operating with optimal efficiency or quality. Fiscal and client benefits would result from changes to certain program models and service delivery systems, but current administrative resources are insufficient to effect these changes. Of necessity, much energy and resources are devoted to maintaining services and weathering periodic crises. As a result, limited or sporadic attention is available for comprehensive rethinking of agency services and delivery systems. To increase cost-efficiency, an investment will need to be made in improving quality monitoring systems, and upgrading budget and planning skills within programs.
5. **Decision-Making** – Change is often hampered by inefficiencies in the ways decisions are made. I heard frustration voiced by many about decision making at CAO. The agency's commitment to a unified model and integrated services can only succeed when lines of authority and influence are clear. Issues needing attention within the administrative structure and whenever decisions are made include: Are the right people at the right tables? Is there clarity about purpose and outcome? Is there sufficient – or too much – authority invested in those charged with performing this task? Are the communication and documentation systems adequate for this task? Will aversion to conflict derail the process? Is there a capable facilitator who can keep the decision-making on track?

### **III. Observations on the Foundation for Change**

CAO has proved itself capable of crisis management, and the urgency of the fiscal situation right now demands some decisions that might fit into that category. But during the course of my assessment, I heard a strong will for going beyond the immediate fix, and

responding to the developments of the past five years with a more thorough examination of who CAO is and how it can best advance its mission for the next 35 years.

In many ways, CAO is facing a fundamental choice for managing change: continued adjustment within the same system, or reinvention.

Reinvention would involve consideration of the fundamental premises and practices that drive CAO. These include the agency structure, role in the community, administrative practices as they relate to programs, and criteria used for determining the programs and services offered by CAO.

#### Structure

CAO has worked hard to develop and implement a unified model for the agency, in the belief that clients are better served by programs that are closely coordinated and services that are integrated. If CAO remains committed to this model, it needs relatively sophisticated systems for communication, planning and quality assurance to fulfill the promise implied by the structure.

#### Role in the Community

If CAO has been defined as "all things to all people," does this role continue to provide the best means of advancing CAO's mission? The organization is subject to expectations from a variety of sources which it is having difficulty meeting. These include: the expectations from the low-income community for a wide array of services and a place to go when no other agency provides services; and the expectations from the community of partners who want to assist in meeting community needs. In particular, government agencies and local churches have high, possibly unrealistic, expectations of CAO as a part of the delivery system for their efforts to make a difference.

By defining a more focused niche, or set of niches, CAO may be able to make better use of limited resources and effect more substantial systemic change. CAO needs to consider ways to more clearly define both the manner in which it works and the areas in which it works.

CAO's niche needs to consider the functions the organization seeks to fulfill in the community such as: community organizer, systems advocate, direct services broker, client advocate, client educator, and direct services provider. Further, within the broad areas of Housing/Homelessness, Early Childhood Care, and Emergency Assistance what are the specific initiatives that CAO can reasonably focus on and how do they fit together so that they can achieve high quality outcomes for clients, be managed efficiently, and be responsive and attractive to funder's needs.

### Administrative Practices Relating to Programs

Just as CAO must define its function in relation to a broad array of community needs, CAO must also define the role of central administrative services in relation to its programs.

I observed some confusion in what is meant by, and expected of, administration at CAO. Is it clerical tasks like making copies? Or the unifying heart of the agency, *the pebble in the center of the pond from which all ripples emanate?*

These unifying functions include:

- integrated planning and fiscal management
- development of administrative systems for use within programs, based on uniform principles and cycles
- training & technical assistance to support programs in performing their program-specific administrative functions more effectively, using centrally-designed systems
- human resources: enhanced orientation, training, supervision; ongoing all-agency communication, connection and teambuilding functions
- communications technology: all sites connected, trained
- decision making & authority: improved management and team leadership systems; improved meeting management; reconfiguration of who's at what tables for what purpose
- quality assurance, including feedback loops for clients and the larger community

Redefinition at the agency and administrative levels will drive changes in program models and service delivery systems, as they are aligned to be consistent with certain core principles.

### Criteria for Determining CAO Programs and Services

Responding to the current circumstances, there has been some interest expressed in developing a set of criteria that would inform decisions on which programs CAO might keep, acquire or cut.

The following list is a compilation of current, historical and prospective criteria, some of which conflict with each other.

1. Is there a need for the program?
2. Does the program fit within CAO's mission?
3. Does the program fit within CAO's defined niche(s)?
4. Can any one else do provide the service?
5. Is CAO expected to provide the service, or under political/funder pressure to do it?
6. Can the program pay for itself?
7. Will the community support the program; is it marketable?
8. Will changing the current status cause discomfort?



9. Will changing the current status do harm?
10. Is the program being done with quality? What would it take to do it with higher quality?
11. Can CAO meet the internal needs created by the program (not only fiscal, but technology, HR, planning, quality assurance, etc.)?
12. Does the program's administrative costs match CAO's administrative share formula?
13. Does this create or reduce barriers for clients?
14. Is the program model aligned with CAO values & niche?

Internal conflicts within this list of criteria can be resolved by addressing the fundamental questions reflected in the directional options below. Depending on the underlying policy directive – for example, "*If it can't pay for itself, we don't do it*" or "*CAO is all things to all people*" or "*CAO delivers programs and services effectively at the lowest possible cost*" – changes in programs and services will follow.

#### **IV. Directional Options**

The following policy options are intended to stimulate discussion about organizational direction.

- 1. Let go of the commitment to a unified agency model** (centralized administrative services, uniform pay scales, integrated services, etc.) and adopt an umbrella model (collection of programs with varying administrative relationships to CAO and each other).

*Example of financial benefit:*

- Programs outside Head Start would not be obligated to implement Head Start cost of living increases.

*Example of financial risk:*

- Greater duplication of program infrastructures and program services due to increased compartmentalization.

- 2. Redefine agency with a narrower focus**, either through program models (e.g. advocacy, organizing, direct services, etc.) or through service areas (homelessness, early childhood, etc.)

*Example of financial benefit:*

- Greater focus for resource development efforts, i.e. niche marketing.

*Example of financial risk:*

- Loss of grant revenue from programs or services that would be eliminated.

**3 . Develop a zero-based budget and identify programs and services that don't cover their own costs; either eliminate them or subsidize them with discretionary funds.**

Zero-based budget practices to include:

- programs will build budgets based upon known and confirmed revenues
- allowable funds for program administration will be budgeted for admin purposes
- pass-through funds for client assistance will be budgeted as per funding requirements
- overhead costs will be budgeted based on agency allocation plans
- staffing plans, supplies, will be developed based on remaining budget resources

**4 . Dedicate a set percentage of truly unrestricted discretionary funds to be allocated as follows:**

- x% reduce agency deficit
- x% reduce/underwrite overhead
- x% strengthen administrative infrastructure
- x% special projects/key activities
- x% subsidize under-funded programs & services

**5 . Sell the building or develop other options for reducing building costs & debt maintenance.**

Community Action Organization  
Summary of All Funds

	ACTUAL Audited 1999	BUDGET FORECAST 2000	FUND BALANCE 1998-2000	RESOURCE DEVELOPMENT SUPPORT
Headstart	\$49,679	\$70,000	\$119,679	\$0
ABC Soup	(92,128)	(110,615)	(202,743)	0
Child Care RR	(3,245)	11,071	7,826	0
A Kids Domain	(28,944)	(22,375)	(51,319)	0
Child Care	11,215	(3,320)	7,895	0
Opening Doors	323,916	(1,796) ?	322,120	0
Community Resource General	11,607	0	11,607	76,476
Fair Housing	13,844	0	13,844	5,024
Hillsboro Shelter	(11,311)	0	(11,311)	33,485
Good Neighbor Center Shelter	0	0	0	0
Transitional Housing	(3,421)	0	(3,421)	41,208
Emergency Needs	(51,857)	54	(51,803)	74,341
I & R	6,171	0	6,171	13,286
Weatherization	39,295	0	39,295	25,921 ? 12,949
Indiv. Development Account	1,989	9,044	11,033	0
Energy Assistance	0	0	0	0
OLD CSBG	(28,371)	0	(28,371)	0
CLF - Affordable Housing	(13,111)	0	(13,111)	0
Even Start	(15,410)	0	(15,410)	0
Community Collaboration	(2,293)	6,630	4,337	0
Resource & Development	(49,155)	14,098	(35,057)	(269,740) ?
<i>Admin</i>	<del>158,470</del>	<del>110,000</del>	<del>131,261</del>	
<i>Total</i>	<del>158,470</del> 48,470	(27,209)	<del>131,261</del> 22,000	1

Community Action Organization  
 Summary of All Funds  
 For the Eight Months Ending February 29, 2000

Description	YTD 2000 SURPLUS	YTD 2000 DEFICITS
<b>Program Balances</b>		
Headstart	\$70,000	\$0
ABC Soup	\$0	(\$110,615)
CCRR	\$11,071	\$0
AKD	\$0	(\$22,375)
Child Care	\$0	(\$3,320)
Opening Doors	\$0	(\$1,796)
CR General	\$0	\$0
Fair Housing	\$0	\$0
Hillsboro Shelter	\$0	\$0
GNC Shelter	\$0	\$0
Transitional Housing	\$0	\$0
Emergency Needs	\$54	\$0
I & R	\$0	\$0
Weatherization	\$0	\$0
IDA	\$9,044	\$0
LIEAP	\$0	\$0
OLD CSBG	\$0	\$0
CLF - Affordable Housing	\$0	\$0
Even Start	\$0	\$0
Community Collaboration	\$6,630	\$0
Resource & Development	\$14,098	\$0
<b>Total</b>	<b>\$110,898</b>	<b>(\$138,106)</b>
Administration	\$5,461	\$0