

Self-Sufficiency: Update

—Virginia Franco, Chief Executive Officer

In the spirit of our cultural tenet—transparent communications with all partners regarding the relevant issues of Life Steps—I want to update you about the latest developments in our self-management process.

On July 8 a large cross-section of partners attended an open, all-day forum. Professor Olson, professor of clinical management and organization at the Marshall School of Business at USC, facilitated it. He had attendees complete a workshop to help them clarify the self-sufficiency vision, define some key issues, and develop processes and mechanisms for implementing the criteria and standards need to become self-sufficient.

Three taskforces emerged from the workshop. They identified the following issues for developing processes:

- Managing programs profitably
- Managing people to improve employee retention and training
- Managing collaborations that develop current and future strategies for self-sufficiency

From the three taskforces, forum participants wrote position statements about the first two issues above. From August through October, they will develop criteria and standards regarding these issues that will become the blueprint for the operation manuals.

These taskforces are critical for a successful transition to self-sufficiency. Through them partners become the architects of this new infrastructure, being created to suit partners' needs. Nobody is better qualified to create these mechanisms than you, who deal with daily issues and situations thus knowing what improves efficiency. It is an exciting process, increasing everyone's sense of ownership and also helping us practice one of our core values: having fun in the process!

We are on schedule with our three-year plan, having met all the goals for this past fiscal year. The entrepreneurial leadership document will be available for viewing on the Web site (www.lifestepsfoundation.org/Current_Projects). I encourage you to peruse it and become familiarized with where we are at in the process and where we are going!

In August we will have two main events:

- The first forum for frontline staff (August 19). Representatives from the different business units and programs were selected by vote. They will represent all frontliners in helping construct the blueprint document for self-sufficiency. This forum helps us connect the frontliners to the strategies and planning involved in this transition and helps partners understand how self-sufficiency will impact you as a stakeholder, your program, your unit. It enables frontliners to actively participate in deciding the processes we adopt in shaping the Life Steps of tomorrow!
- The second event is an all-day retreat for the board of directors, at which they will develop an overall strategic plan for the next two years. This plan will consider the main goals and objectives identified by the various business units that have already prepared and finalized their own strategic and business plans.

Other developments during this quarter:

- We have finalized the budget projections of all the business units for FY 2005/2006.
- Accounting is working with several of the business units to consolidate their operations in order to achieve solvency by the summer of 2007. The Santa Maria Wisdom Center and the Santa Maria office that provides Adult Services will operate their programs at the Wisdom Center site, which will save both business units \$24,000 a year. Moreover, the San Luis Obispo office will sublease three of its empty offices, which will generate extra revenue for the business units that operate from there.
- Paso de Vida, of the Drug and Alcohol Services Division, has begun selling used books online, the profits of which will supplement revenue accrued by all Drug and Alcohol Services programs.
- Several of the business units are researching possible enterprises that maximize use of their assets. For example, e.g., in central California, the Wisdom Center, the Drug and Alcohol Services unit and Adult Services in Santa Maria are exploring the development of a transportation service, thus generating additional revenue through the vehicles during off-program hours. Customers in the community would pay a small fee for transportation to and from their appointments. In northern California, Social Dynamics is exploring the development of contracts for providing transportation to the community and for cleaning, repacking and sealing headsets used in airplanes.
- Regarding fund raising, partners at Circle of Friends in Inglewood and the Development unit at the corporate office, facilitated by Philip Pacheco, received training on the Raising More Money (RMM) module. Circle of Friends will successfully implement RMM through a big event scheduled for October. In September, Philip will also train partners on RMM in the central coast so that partners there can also start the process for their business units.
- We have three new board of director members and are working to secure two more, which will complete our revamping of the board. The board's mandate is to help Life Steps raise money to complete implementation of our infrastructure and also to help raise funds for some of the programs such as the Drug and Alcohol Free Center and Pasos de Vida.
- We have had only four Worker's Compensation claims this fiscal year. We closed the last fiscal year in June with eight claims, representing a decrease of 76 percent from the prior year when we had 39 claims. You have, consequently, achieved an incredible success rate. It is critical to continue bringing the claims down, since Worker's Compensation insurance is extremely expensive (\$600,000 a year). This money can directly benefit partners. As we move toward Year Three of our transition to self-sufficiency, we will greatly benefit from a much lower modification (mod) rate, which is what Worker's Compensation decides to charge us. We now have a 294 mod rate. Our goal is to decrease it to 123, a savings of about \$400,000 for the entire company. Let's make this challenge something we can all meet by observing proper transfer techniques when working with our clients, using first aid and quickly informing managers when an incident happens.