

CONFIDENTIAL

Operation Capstone

BUSINESS PLAN

A NEW METHODOLOGY FOR RETURNING CITIZEN REINTEGRATION

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Executive Summary

Introduction

Note: Individuals who have returned home from incarceration are commonly referred to as "ex-offenders." The District of Columbia considers the term ex-offender to be disparaging and potentially stigmatizing. The District prefers the term "returning citizens." This plan uses the "returning citizen" construction to denote individuals who have returned to the District from incarceration.

Each year, approximately 8,000 residents return to the District of Columbia from federal prisons around the country and the DC Jail. For many, their employment prospects, and thus their ability to reintegrate into society, are bleak. It is estimated that the unemployment rate for returning citizens in the District averages 45-50%.

There is a strong correlation between unemployment and recidivism. Helping ex-offenders obtain full-time employment is not just a moral and economic imperative, it has implications for public safety.

The District attempts to facilitate the reintegration process in several ways, including the creation of an Office of Returning Citizen's Affairs (ORCA). ORCA was designed as a single point of entry for citizens upon their return and a gateway to other social services provided by the District. ORCA assistants returning residents with housing, healthcare, education, job training and job placement.

ORCA provided at least one service to over 5,000 returning residents in 2013. That primarily consisted of help assembling resumes. ORCA was directly responsible for the placement into employment of only 152 of the 5,000 residents it served, though this is actually through no fault of their own. ORCA would benefit from additional resources. As it stands, it has to prioritize the services it provides.

Placing this population into employment is difficult due to the existence of multiple barriers to employment that must be addressed such as transportation access and literacy/education gaps. Even if jobs for returning citizens were plentiful, it will take a concerted effort to improve job readiness.

Operation Capstone is a non-profit job placement firm that will focus exclusively on the placement of returning citizens into employment. It will be unique in the District's workforce development landscape in that it will be staffed by experienced job placement professionals making thousands to calls per month exclusively for the purpose of finding employment for returning citizens.

Capstone operatives will have demonstrated expertise in managing employer relationships, the key to successful job placement. They will be experienced in persuading reluctant hiring managers and will be capable of convincing an employer to hire someone they might not otherwise be inclined to consider.

Current Landscape

Many organizations in the District attempt to place returning citizens into employment as part of their overall mission, but none of them focus on this population exclusively. These organizations include AmericaWorks, Jubilee Jobs, Shaw Family Collaborative, CSOSA, Transitional Housing Corporation and a few others.

Operation Capstone will augment these efforts by deploying experienced, highly trained professional job developers. The skills required for difficult relationship building work take years to develop and Operation Capstone will hire people with those skills largely in place, with a priority on knowledge of the DC job market.

The unemployment rate for returning citizens is estimated at 50-55%. Considering the link between unemployment and recidivism, directing additional resources effective job placement would benefit the community.

The primary function of most of the organizations working on returning citizens related services are something other than job placement. Devoted exclusively to the placement of returning citizens into employment, Operation Capstone will fill a unique niche.

Project Overview

Operation Capstone is an alternative approach to returning citizen reintegration that relies on the private sector experience and expertise of a group of job placement professionals assembled specifically for the purpose of placing a minimum of 2,500 returning citizens into employment each year. Operation Capstone is a social welfare project of the Economic Growth DC Foundation.

It will function as a non-profit job placement firm, staffed by experienced recruitment/placement industry professionals and built specifically to affect the placement of returning citizens into full-time employment immediately upon their return from incarceration to the District.

The operation will be overseen by Dave Oberting, the chairman of the Economic Growth DC Foundation, a twenty year veteran of the executive search/placement business.

Capstone will be applying for funding through a Prisoner Reentry Initiative grant from the federal Department of Labor, from the District government, and through private funding.

ORCA's Future

Operation Capstone is designed to work hand-in-glove with ORCA, the Office of Returning Citizens Affairs. ORCA is responsible for the general well being of the District's returning citizens. They are initial point of entry into the social services system for residents returning to the District from incarceration and it acts as a gateway to a full suite of other services provided by the District.

Operation Capstone will rely on ORCA to provide it with job candidates who have gone through its intake process. ORCA makes use of various testing and screening tools to assess returning citizens and decide on the best course of action.

Some returning citizens will be referred to remedial education or job training providers before being directed to Operation Capstone. Once its testing process is complete, ORCA will refer all candidates who are close to job ready to Capstone for placement.

As part of the implementation of Operation Capstone, providing ORCA with more sophisticated aptitude testing tools, enabling them to test for basic reading, basic math, and basic problem solving skills and vocational aptitudes would be beneficial.

Performance Based Contract

After an initial startup phase, it is expected that Operation Capstone will be operated via a performance based contract. The Economic Growth DC Foundation will be compensated mainly on the basis of the number of individuals successfully placed into employment.

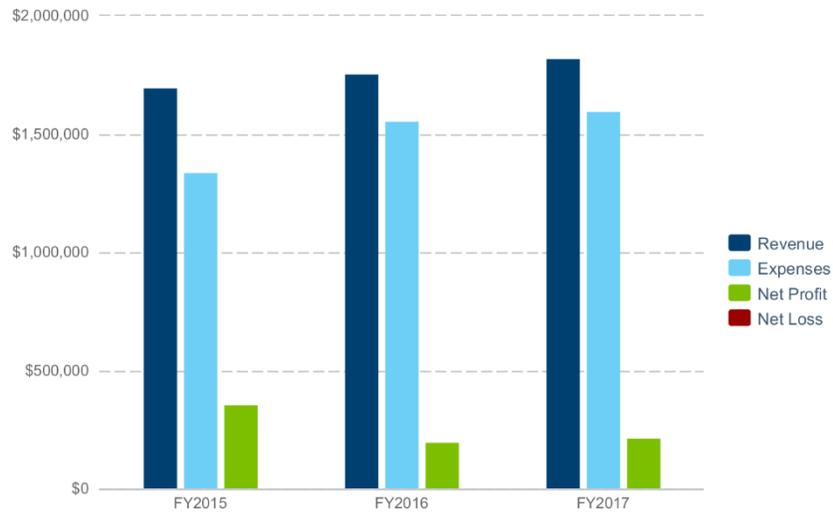
Financial Summary

Financial Highlights

The foundation projects an annual budget requirement of \$1.7 million. The largest cost will be compensation for employees, accounting for roughly \$1.2 million per year. The remaining \$500,000 will be used for office space, information technology, telecommunications, and other office overhead.

At plan, the program is designed to place 1,000-1,250 returning citizens on a budget of \$1.7 million. This represents a cost of \$1,360 to \$1,700 per person placed. The return on that investment will be reflected in lower rates of recidivism. Good retention rates will make that a solid investment.

Financial Highlights by Year



Project Description

How It Works

Operation Capstone will be established and run in a manner that is virtually identical to the way a private-sector, for-profit search and placement firm is operated.

It will consist of 8-10 highly trained placement professionals who will be responsible for making contact with thousands of District area employers and developing/maintaining relationships with hundreds of those companies and organizations. They will be responsible for influencing hiring managers and convincing them hire a prospective candidate that they might not normally consider.

This is the essence of what a good placement professional does: convince a hiring manager to hire a candidate that's not perfect.

Specifically, the team will be responsible for calling the 30,000 or so businesses in the DC area and narrowing that list to the group of employers willing and able to hire returning citizens. It's anticipated that will be a group of +/- 2,500 employers. Arriving at that 2,500 level will take thousands of calls and about a year.

1,000 placements per year amounts to a little less than 20 placements per week. This further breaks down to 2 placements per week per account manager. This may not sound like a high volume of placement, but most executive recruiters in the private sector place 2-5 people per month.

20 placements per week will be possible because the hiring process, which can take months for higher level positions and involve as many as a dozen interviews, will be much shorter. It should be a one interview plus decision type process. This will allow for significantly more volume than what takes place at a traditional placement firm.

Organizational Chart



The Newark Model

Description

The City of Newark, NJ has a population of approximately 280,000 people. On average, 3,100 people return to Newark from incarceration each year.

In 2009, Newark's former Mayor, Corey Booker, and the Manhattan Institute partnered to implement a program upon which Operation Capstone is based. They created a re-entry office within the executive office of the mayor and implemented a plan that has resulted in a 60-70% job placement rate, good retention rates, and a serious decline in recidivism.

The program uses a "rapid attachment to work," model similar in some ways to the rapid rehousing process that many jurisdictions use to address homelessness. Newark's reentry office contracts with private sector job placement firms to get returning citizens into jobs immediately upon arrival at the reentry office.

Newark has found this approach to be more successful than attempting to put a returning citizen through a lengthy training program. The thing a returning citizen needs most is money. The Newark approach gets returnees working quickly which helps ease the rest of the reintegration process.

Below is a link to a description of the Newark program on the Manhattan Institute's website:

http://www.manhattan-institute.org/html/cci_moving_men_into_the_mainstream.htm

Differences

The primary difference between the Newark model and Operation Capstone is Capstone proposes to build and run the placement operation in-house. Newark used performance based contracts to manage outside placement firms. Their vendors were compensated based on the number of people placed.

In DC, this advanced placement capability does not currently exist. The caliber of the placement operation that's required for the project to succeed needs to be built.

Technology

Hoover's

Hoover's, a division of Dun & Bradstreet, is the largest database of corporate information in the world. There are over 26,000 businesses with 10 employees or more in the greater Washington metro area.

Hoover's will provide detailed information on all of those employers, including the names of key employees, direct dial phone numbers and email addresses.

Hoover's will be the primary source for the creation of the required employer database. It is a subscription based service that will provide ready access to local employers and hiring managers.

PC Recruiter

Data from Hoover's will be transported into PC Recruiter. PC Recruiter is the most sophisticated piece of software available today in the job placement industry. All companies, job orders, candidates and contacts can be managed with sophisticated search capabilities.

PC Recruiter is a cloud based, subscription database system. There is no need for any expensive hosting or data storage.

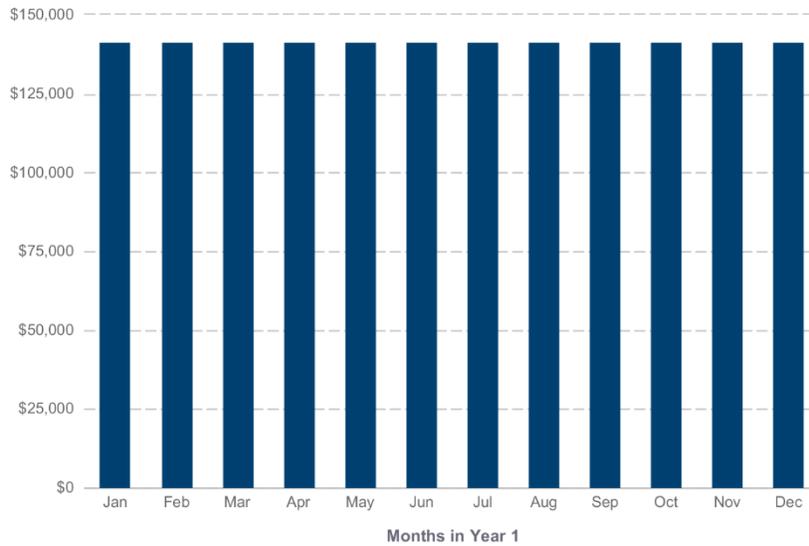
Financial Plan

Revenue Forecast

Revenue Forecast

| | FY2015 | FY2016 | FY2017 |
|--------------------------|--------------------|--------------------|--------------------|
| Revenue | | | |
| Government Funding | \$1,200,000 | \$1,242,000 | \$1,285,000 |
| Private Funding | \$500,000 | \$518,000 | \$536,000 |
| Total Revenue | \$1,700,000 | \$1,760,000 | \$1,821,000 |
| Direct Cost | | | |
| Government Funding | \$0 | \$0 | \$0 |
| Private Funding | \$0 | \$0 | \$0 |
| Total Direct Cost | \$0 | \$0 | \$0 |
| Gross Margin | \$1,700,000 | \$1,760,000 | \$1,821,000 |
| Gross Margin % | 100% | 100% | 100% |

Revenue by Month



About the Revenue Forecast

Operation Capstone is designed to be a public/private partnership. It plans to advantage of some federal funding available through the Department of Labor's Prisoner Reentry Initiative. It also anticipates financial participation by the District government as well as a significant amount of private funding. The cost sharing arrangement will be dictated by the funding sources.

Personnel Plan

Personnel Table

| | FY2015 | FY2016 | FY2017 |
|-------------------------|------------------|--------------------|--------------------|
| Executive Director | \$125,000 | \$128,750 | \$132,613 |
| Large Company Team Lead | \$100,000 | \$103,000 | \$106,090 |
| Small Company Team Lead | \$100,000 | \$103,000 | \$106,090 |
| Account Manager 1 | \$90,000 | \$92,700 | \$95,481 |
| Account Manager 2 | \$90,000 | \$92,700 | \$95,481 |
| Account Manager 3 | \$75,000 | \$92,700 | \$95,481 |
| Account Manager 4 | \$75,000 | \$92,700 | \$95,481 |
| Account Manager 5 | \$60,000 | \$92,700 | \$95,481 |
| Account Manager 6 | \$60,000 | \$92,700 | \$95,481 |
| Account Manager 7 | \$45,000 | \$92,700 | \$95,481 |
| Account Manager 8 | \$45,000 | \$92,700 | \$95,481 |
| Total | \$865,000 | \$1,076,350 | \$1,108,641 |

About the Personnel Plan

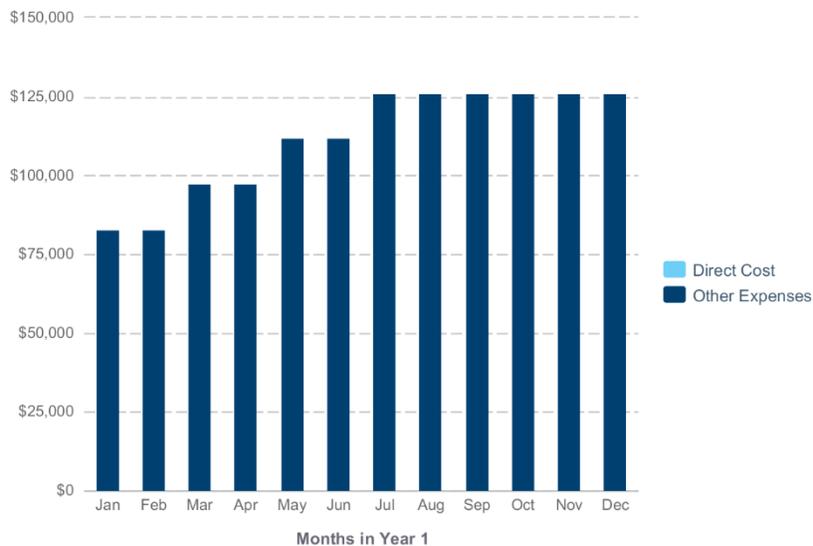
Operation Capstone will ramp up over the course of 2015. It anticipates launching with 7 employees in January of 2015 and increasing gradually to 15 employees over the course of the year.

Budget

Budget Table

| | FY2015 | FY2016 | FY2017 |
|--|--------------------|--------------------|--------------------|
| Operating Expenses | | | |
| Salary | \$865,000 | \$1,076,350 | \$1,108,641 |
| Employee Related Expenses | \$173,000 | \$215,270 | \$221,727 |
| Rent | \$120,000 | \$120,000 | \$120,000 |
| Information Technology / Telecommunications | \$48,000 | \$48,000 | \$48,000 |
| Furniture / Equipment Lease | \$36,000 | \$36,000 | \$36,000 |
| Professional Liability / Property Casualty Insurance | \$12,000 | \$12,000 | \$12,000 |
| Total Operating Expenses | \$1,254,000 | \$1,507,620 | \$1,546,368 |

Expenses by Month



About the Budget

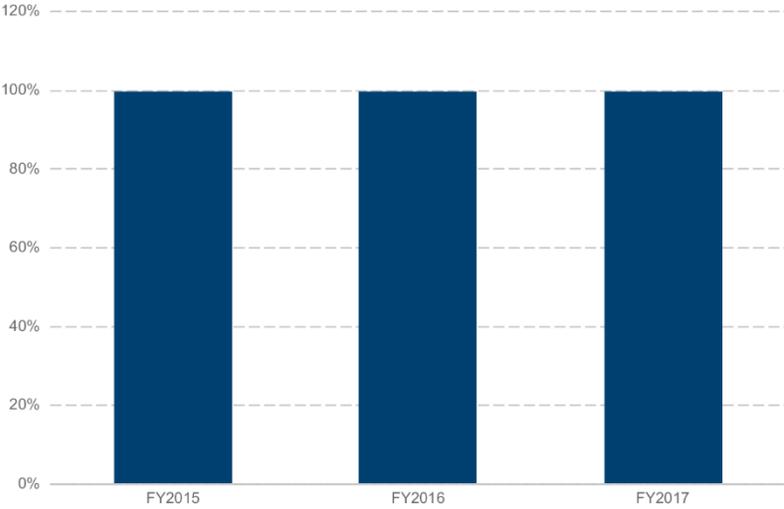
The budget builds in a \$400,000 surplus in the first year in anticipation of various miscellaneous expenses. Should these expenses not materialize, the surplus can be carried over to 2016.

Profit and Loss Statement

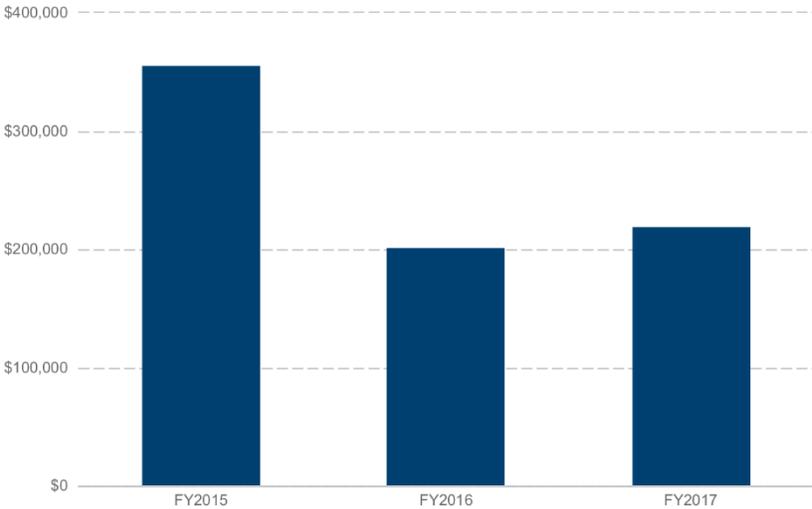
Profit and Loss Statement

| | FY2015 | FY2016 | FY2017 |
|--|--------------------|--------------------|--------------------|
| Revenue | \$1,700,000 | \$1,760,000 | \$1,821,000 |
| Direct Cost | \$0 | \$0 | \$0 |
| Gross Margin | \$1,700,000 | \$1,760,000 | \$1,821,000 |
| Gross Margin % | 100% | 100% | 100% |
| Operating Expenses | | | |
| Salary | \$865,000 | \$1,076,350 | \$1,108,641 |
| Employee Related Expenses | \$173,000 | \$215,270 | \$221,727 |
| Rent | \$120,000 | \$120,000 | \$120,000 |
| Information Technology / Telecommunications | \$48,000 | \$48,000 | \$48,000 |
| Furniture / Equipment Lease | \$36,000 | \$36,000 | \$36,000 |
| Professional Liability / Property Casualty Insurance | \$12,000 | \$12,000 | \$12,000 |
| Total Operating Expenses | \$1,254,000 | \$1,507,620 | \$1,546,368 |
| Operating Income | \$446,000 | \$252,380 | \$274,632 |
| Income Taxes | \$89,200 | \$50,476 | \$54,926 |
| Total Expenses | \$1,343,200 | \$1,558,096 | \$1,601,294 |
| Net Profit | \$356,800 | \$201,904 | \$219,706 |
| Net Profit / Sales | 21% | 11% | 12% |

Gross Margin by Year



Net Profit (or Loss) by Year



About the Profit and Loss Statement

Operation Capstone is a non-profit activity of the Economic Growth DC Foundation, a registered 501(c)(3) charitable organization. 100% of revenues will be spent on direct placement activities.