

**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 4,000 to 6,000 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 returning citizens obtain full-time employment is not just a moral and economic imperative, it has implications for public safety.

The District has attempted to facilitate the reintegration process in several ways, including through the creation of an Office of Returning Citizen's Affairs (ORCA). ORCA was designed to be a single point of entry for citizens upon their return and a gateway to other social services provided by the District. ORCA assists 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 152 of the 5,000 residents it served. This low placement rate stems mainly from a lack of resources, but also from a lack of experience and expertise in a field, job placement, that can be quite complex. ORCA has to prioritize the services it provides in the context of a comparatively small budget (approximately \$400,000) and does not have the personnel and other resources required to place a large number of returning citizens into employment.

In addition, placing this population into employment is difficult due to the existence of multiple barriers to employment that must be addressed simultaneously 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 was designed to overcome these challenges through the application of time-tested, modern, private-sector job placement techniques. These techniques will be applied by a cadre of experienced, well-compensated job placement professionals.

Operation Capstone is a non-profit job placement program which will be housed at the Economic Growth DC Foundation and 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 private-sector job placement professionals. These professionals will make thousands of calls per month to national capital area employers exclusively for the purpose of finding employment for returning citizens.

Capstone operatives will have demonstrated expertise in managing employer relationships which is 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

There are a number of organizations in the District that attempt to place returning citizens into employment as part of their overall mission, but none of the them focus on this population exclusively. These organization 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 placement professionals. The skills required for difficult relationship building work take years to develop and Operation Capstone will hire people with those skills in place, with a priority on knowledge of the DC job market.

The unemployment rate for returning citizens is estimated at 45-50%. Considering the link between unemployment and recidivism, directing additional resources to effective job placement would benefit the not just the individual returning citizens, but the community at-large.

The primary function of vast majority of the organizations providing services to returning citizens involve 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 1,250-1,750 returning citizens into employment each year.

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 program was inspired by the successful implementation of a similar program in Newark, NJ. That program is the product of a joint-venture between then Mayor of Newark Cory Booker, and the Manhattan Institute. There is more information on what we call the Newark model to be found later in this plan.

The operation will be directly run by Dave Oberting, the chairman of the Economic Growth DC Foundation, who is a twenty-year veteran of the executive search and job placement business. His entire career prior to starting the Foundation in 2013 was devoted to job placement and the management of job placement firm. He and the people he's managed have been responsible for the placement of over 5,000 people over the course of his career.

At least initially, the program will have to be publicly funded. There is some Department of Labor grant money set aside for a returning citizen's employment demonstration projects, but it is unclear when that grant window will open. We have drafted this business plan as a means of seeking funding from the District government.

## ORCA's Future

Operation Capstone was designed to work in close cooperation 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 the 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 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.

Operation Capstone will also work closely with Project Empowerment (PE). PE is a program of the Department of Employment Services that provides six months worth of subsidies to District employers for as many as 700 program participants. These subsidies cover the wages of the returning citizens who participate in PE.

The difficulty lies at the end of that six months of subsidized employment, when most of those jobs are terminated. Operation Capstone will make use of the fact that being employed is a tremendous advantage when seeking another, better job and will take responsibility for placing PE program participants into unsubsidized employment.

## 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.

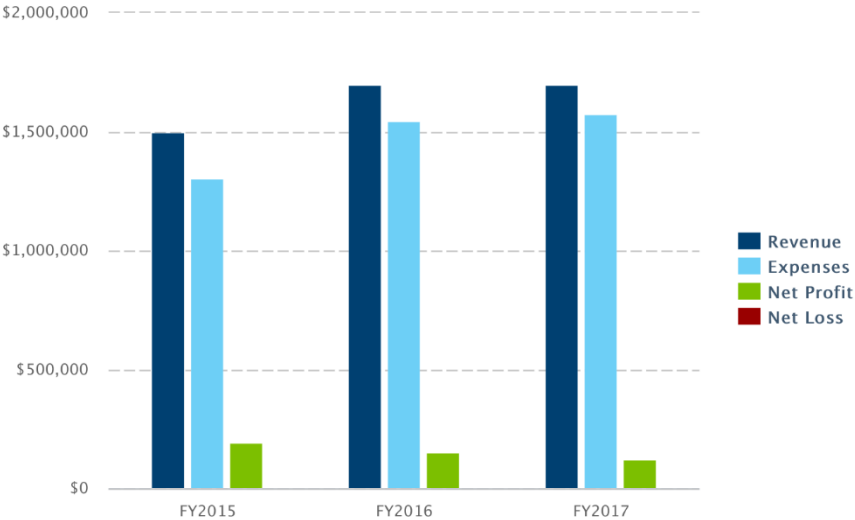
## Financial Summary

### 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 1,250-1,750 returning citizens on that budget of \$1.7 million. This represents a cost of \$970 to \$1,360 per person placed. The return on that investment will be reflected in lower rates of recidivism. In Newark, that project produced retention rates that were much higher than what is normally associated with returning citizen's retention. There is no reason to believe Operation Capstone will not experience similar rates of retention.

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 to hire prospective candidates that they might not otherwise consider.

Persuasion is the essence of what a good placement professional does. Convincing a hiring manager to interview and then hire a candidate that's not perfect is what good placement professionals do. These highly specialized skills take years to develop, are the kinds of advanced skills that are required for this type of placement skills, and people who have these skills can command a high level of competition. In short, if you want this done right, you have to be able to compensate the professionals that do it competitively.

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 approximately 2,500 employers. Arriving at that 2,500 level will take thousands of calls and about a eighteen months..

1,500 placements per year amounts to a little less than 29 placements per week. This further breaks down to 3 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 no more than 2-5 people per month.

29 placements per week will be possible in this case 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, Cory 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](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.

Subscribing to Hoover's to download all of this critical data is not inexpensive. It will cost approximately \$35,000 to get the full-download. The good news is that data can be shared with other placement operations around the District like Jubilee Jobs and Transitional Housing.

## 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. The fee for PC Recruiter runs at approximately \$100 per license per month.

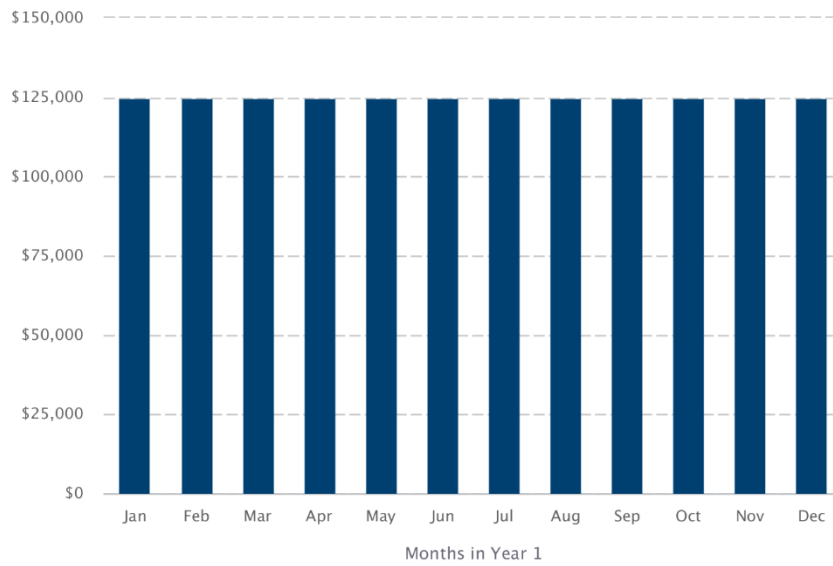
# Financial Plan

## Revenue Forecast

### Revenue Forecast

	FY2015	FY2016	FY2017
<b>Revenue</b>			
Government Funding	\$1,500,000	\$1,400,000	\$1,200,000
Private Funding	\$0	\$300,000	\$500,000
<b>Total Revenue</b>	<b>\$1,500,000</b>	<b>\$1,700,000</b>	<b>\$1,700,000</b>
<b>Direct Cost</b>			
Government Funding	\$0	\$0	\$0
Private Funding	\$0	\$0	\$0
<b>Total Direct Cost</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Gross Margin	\$1,500,000	\$1,700,000	\$1,700,000
<b>Gross Margin %</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

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
<b>Total</b>	<b>\$865,000</b>	<b>\$1,076,350</b>	<b>\$1,108,641</b>

### About the Personnel Plan

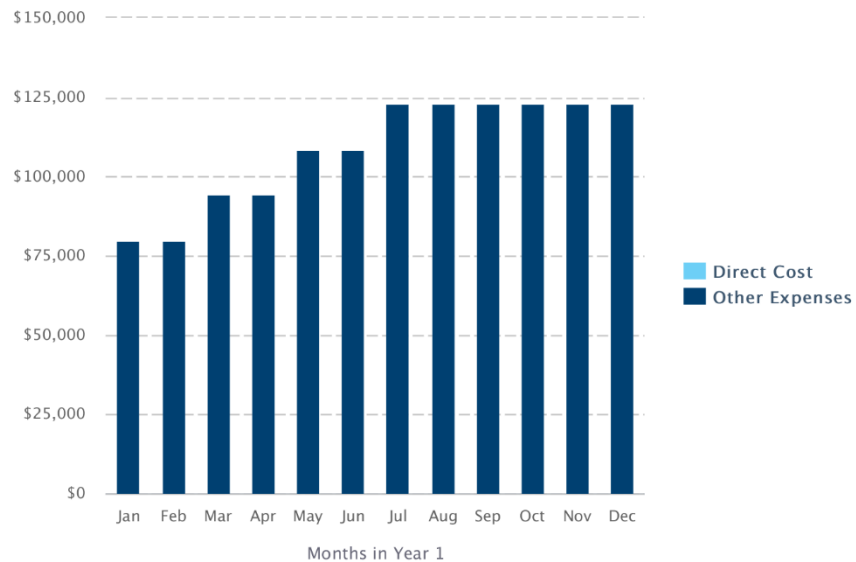
Operation Capstone will ramp up over the course of 2015. It anticipates launching with 7 employees in January of 2015 and increasing gradually to 15 employees over the course of the year.

## Budget

### Budget Table

	FY2015	FY2016	FY2017
<b>Operating Expenses</b>			
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
<b>Total Operating Expenses</b>	<b>\$1,254,000</b>	<b>\$1,507,620</b>	<b>\$1,546,368</b>

### Expenses by Month



About the Budget

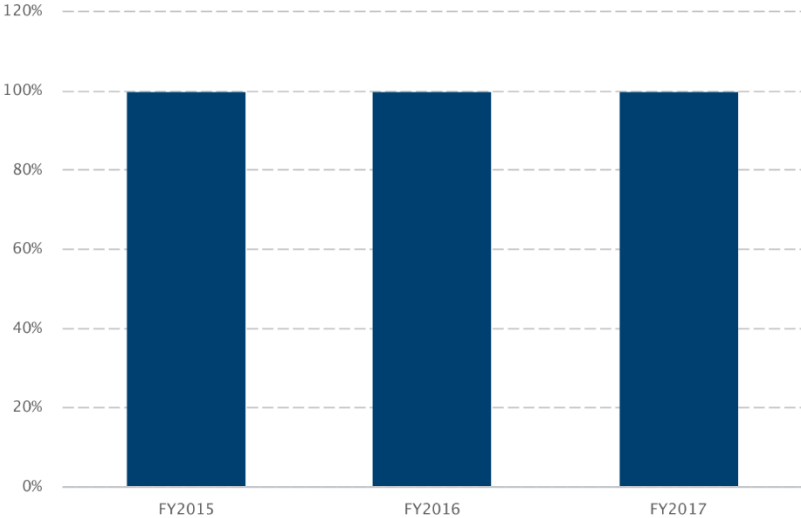
The budget builds in a \$400,000 surplus in the first year in anticipation of various miscellaneous expenses. Should these expenses not materialize, the surplus can be carried over to 2016.

## Profit and Loss Statement

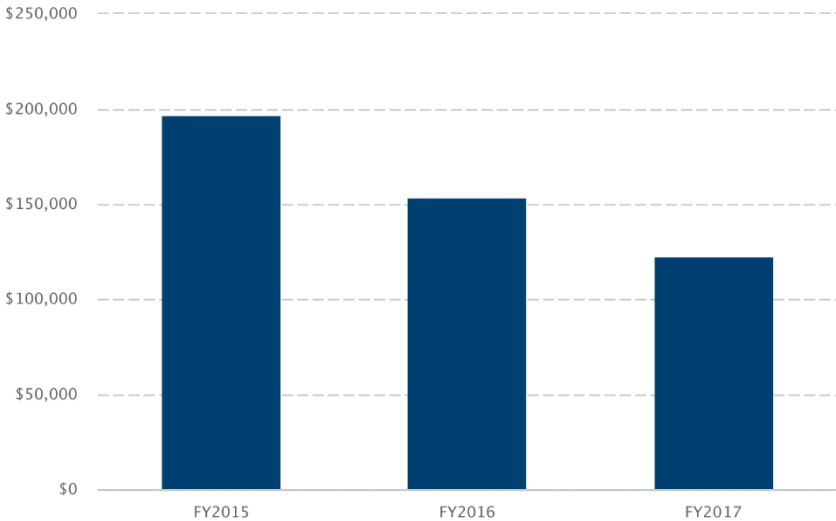
Profit and Loss Statement

	FY2015	FY2016	FY2017
<b>Revenue</b>	<b>\$1,500,000</b>	<b>\$1,700,000</b>	<b>\$1,700,000</b>
<b>Direct Cost</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Gross Margin	\$1,500,000	\$1,700,000	\$1,700,000
<b>Gross Margin %</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Operating Expenses</b>			
Salary	\$865,000	\$1,076,350	\$1,108,641
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Furniture / Equipment Lease	\$36,000	\$36,000	\$36,000
Professional Liability / Property Casualty Insurance	\$12,000	\$12,000	\$12,000
<b>Total Operating Expenses</b>	<b>\$1,254,000</b>	<b>\$1,507,620</b>	<b>\$1,546,368</b>
<b>Operating Income</b>	<b>\$246,000</b>	<b>\$192,380</b>	<b>\$153,632</b>
Income Taxes	\$49,200	\$38,476	\$30,726
<b>Total Expenses</b>	<b>\$1,303,200</b>	<b>\$1,546,096</b>	<b>\$1,577,094</b>
<b>Net Profit</b>	<b>\$196,800</b>	<b>\$153,904</b>	<b>\$122,906</b>
<b>Net Profit / Sales</b>	<b>13%</b>	<b>9%</b>	<b>7%</b>

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. The operating profit reflected in the P&L is a reserve in anticipation of higher costs. That funding will remain in the program.