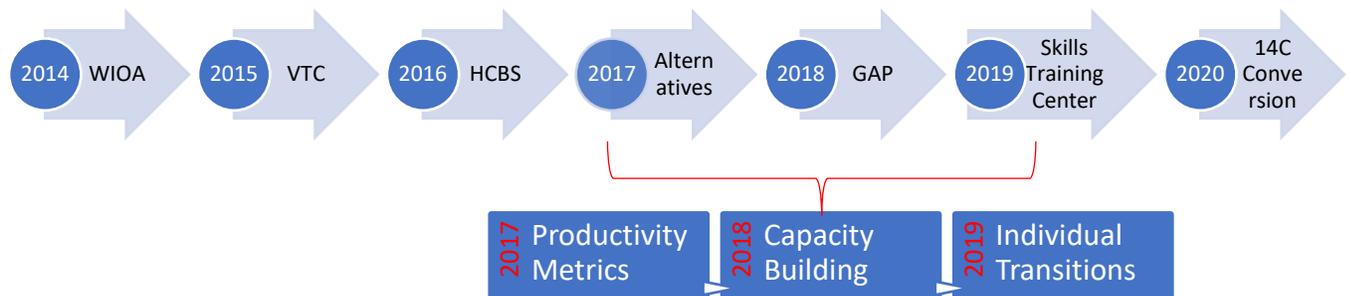


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ADEC's transition away from 14C Employment

Transition discussion and planning was many years leading up to a very quick conversion (essentially two months). We leveraged the downturn of business prior and during COVID to re-evaluate and re-configure our ADEC Industries factory.



Foundation and Evolution

In July 2014, the Workforce Innovation and Opportunity Act [WIOA] was signed into federal law, which featured enhancements for employment services for individuals with disabilities.

- ADEC employment specialists were aware that young adults in Elkhart County with disabilities often found themselves caught in an awkward gap: they may have “aged out” of the public school system, but they still needed additional training to help them transition into the working world.
- Many ADEC clients expressed interest in a job skills training program to fill this gap. ADEC sensed an exciting opportunity to serve the community.
- ADEC completed every 6 month reviews, community employment discussions, with VR with all A.I. client workers.

In November 2015, ADEC opened VTC Vocational Training Center, VTC, located at ADEC Industries.

- Worked with a focus group composed of eight ADEC staff members and 15 – 20 client workers to develop, organize and launch the VTC.
- Group met once a week and were able to successfully identify program goals, evaluate and select curriculum, execute a classroom renovation, and advertise the program to ADEC Industries consumers.

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We credit the consumers with keeping us accountable on the stated launch date, “A lot of it was the AI clients and workers kept saying, ‘When are we going to do this?’ We didn’t want to start out by not keeping our word.”

As the focus group worked to launch the program, they outlined programmatic goals and discussed motivation.

- “The goal is to help the AI workers to develop and grow as an employee and develop skills that will help them in every aspect of their lives.
- For some participants, this class is a chance to pursue the dream of community employment, while others wish to gain confidence and become more productive in their role at ADEC Industries.
- Others may be working toward gaining skills to live more independently at home.

ADEC incorporated the curriculum from the Rehabilitation Research and Training Institute to teach interpersonal skills, flexibility, working quickly and accurately, setting priorities, task completion, problem solving, personal hygiene and punctuality.

In September 2016 – March 2017, with continued Board level discussions of the ‘life’ of sheltered workshops and 14C, as the State addressed compliance with the Home and Community Based Setting Ruling (HCBS).

- Workshops must be WIOA compliant by July 2017, and HCBS compliant by July 2018 (preliminary target timeline)
- Full transparency to Board

Options identified with outcomes and timing.

- Option 1. Phase out sheltered workshop and close facility.
- Option 2. Transition sheltered workshop to an integrated industrial setting with no sub minimum wage 14(c) certificate, paying all workers minimum wage or higher, and not providing HCBS (Pre Voc Hab) services.
- Option 3. Maintain current sheltered program, modifying processes to demonstrate informed choice, client rights, independence, and ability to seek employment and work in competitive integrated settings.
 - In March, Board supported Option 3. But with plans ‘on the table’ to implement if the legislative environment changed.

In March 2018, ADEC received grant funding to support the launch of a more structured and ambitious job skills training program. In April of that year, the Growth and Purpose program (colloquially known as GAP) was born.

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Whereas the Vocational Training Center was only open to individuals who were already ADEC clients, GAP welcomed any individual from the community with a disability in the 18 to 25 age group who might be interested.

With the successful launch of GAP, ADEC continued to explore other potential enhancements to the program. Later in 2018, GAP opened further to welcome all age groups, as well as those in the community facing other barriers to employment, such as individuals with psychiatric disorders, amputees, and others.

In August 2019, ADEC re-branded the name of the program to appeal to a wider audience, officially rebranding GAP as the ADEC Skills & Training Center.

- Held individual and group discussions, 5 hours of video material, as part of annual Performance Measurement, to gather feedback and input on how A.I. was working and meeting their needs – or not meeting their needs.

In March 2020, COVID pandemic strikes and on March 23rd ADEC suspended all non-residential programming and temporarily closed ADEC Industries

- All outside contracts stopped and there was significant uncertainty in sustainability of business metrics.
 - Several business pulled back their contracts so they could maintain their workforce prior to all the Stimulus Packages were enacted
- ADEC began restructuring actions – non-residential (2020) and residential (2021).

Transition:

How long did it take? Given years of discussions and strategic planning and direct consumer involvement, the actual conversion was two months: April - May 2020. Annually discussed future of A.I. during budget cycle. With COVID, the timing was right.

- All non-residential programming suspended March 23rd, 2020
- April – May 2020
 - feasibility and business modeling including pricing models, creation of job descriptions, interviewing and hiring of ‘client workers’
 - deep dive on all remaining contracts and reached out to all businesses
 - Facility reconfiguration – reduce A.I. mfg. floor space by 50%
 - Eliminated / identified assets to be scrapped or sold
 - Re-used and upgraded (painting and partial walls) new day service The Hub
- June 1, 2020 – reopened
 - Communicated to all client workers and ADEC primary workers
 - Integrated all workers into ADEC employee practices and procedures

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Even if you do not have all the years of pre-planning, the same basic steps should be addressed. Because this is being 'driven' by federal and state legislation, recommend you share this as a primary reason for the change.

1. High level of Board engagement and awareness of 'environmental legislative' issues
2. Respectfully address the skill levels and capabilities of individuals hired
 - a. True transparency in abilities
 - b. Facilitate 1-On-1 and Group discussions
3. Utilize Job Coaches (Community Employment Specialists) to help employees
4. Complete asset review
5. Understand your customer base
6. Re-do pricing models
7. Put operational efficiencies in place – floor layout, etc.
8. Communicate and listen to workers
9. Communicate to families and case managers
 - a. Host Townhall meetings and discussions
10. Full Transparency in down-time
11. Repurpose facility if possible – could be facility hab or indoor exercise or community space
12. Give alternatives that will appeal to former client workers

Monetary Implications?

All work was performed by ADEC employees except for the entire repainting of The Hub. We did not furlough any of our maintenance workers during program suspension.

A.I. has historically had an operational loss, despite our efforts on efficiency and managing contracts. So there is long-term concern on maintaining the factory.

Have experienced a steady decline in revenue as the mfg base in our regional area has changed such as the complexity of the jobs is beyond skills capabilities of workers. Would require substantial tool automation and machine investment by ADEC in order to fulfill the jobs.

Prior to Conversion:

- 40% of Revenue was with State Use (Trash Liners)
- 32% was with Prevoc Services or Facility Hab funding
- 28% - Assembly Industrial Sales

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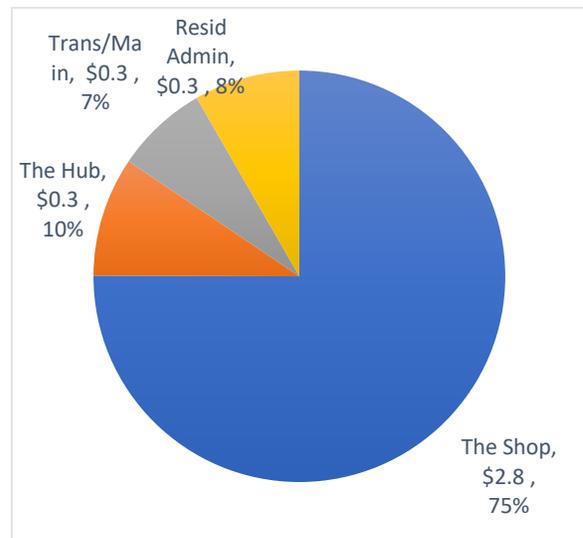
Going forward, revenue is either State Use or Industrial Sales. There is no more prevoc or HCBS funding supporting the factory or be a 'buffer for revenue stream' during down time.

Other agency impacts include:

- Reduced compliance efforts and resources on 14C and CARF
- Elimination of separate payroll processing cycle
- Focus on straight mfg. operations
- No more ratios and grouping to maximize funding or meet HCBS funding
 - HCBS Prevoc funding essentially shifted to The Hub

Balance Sheet and Expense implications of Asset utilization is a big consideration.

- 75%, \$2.78 (m) is asset acquisition value of The Shop, down only \$.3(m) with conversion.
- There remains a high level of assets in both building and equipment.



Wages and hours of workers has changed. 76% of the manufacturing workforce is IDD.:

	March 1, 2020	June 1, 2020
Client Workers (FSW/CIH/ICF)	50 Headcount	13 Headcount
	\$2.38 Average Wage/Hr.	\$9.50 / Hr.
	Range \$.35 – 8.25 / Hr.	Work average 20-28 Hours / Week
	Work average 13 Hours / Week	Attend 4.5 – 5 days / week

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	Attend 3.5-4.5 days / weekdays at facility	
ADEC Staff	8	4 – 2 production leads; 1 shipping & receiving; 1 Sales/Mgr

Structural Changes to facility

The entire ADEC Industries facility is about 100,000 sq feet. Prior to the restructuring, ½ of the building was assigned to A.I. However, it was not at maximum efficiency in operations and layout. The factory is now about 1/3 of the building and the remaining is split between The Hub (which includes Skills and Training Program), all residential infrastructure operations and Transportation and Maintenance.

Common expenses are allocated based on square footage or headcount.

There is specific entrance to the facility. We “closed” off hallways or passthroughs with doors. The day service is kept separate, physically, from the factory.

By creating a new day service alternative, The Hub, appears to have significantly minimize the ‘change impact’ on individuals who came to A.I.

- Daily routines are very similar – transport, start and end, being with friends

Challenges experienced during the process

Individuals Transitioned

In 2016 – approximately 76 clients working at A.I.

In 2019 – approximately 50 clients working (reflects the progression made in assessing the skill of workers and ensuring they are in the appropriate place.

With Conversion

- 13 - work as ADEC manufacturing workers (looking to increase to 16)
- 7 - did not return after program suspension (due to COVID)
- 27 - converted to day services
 - 23 - at The Hub (candidates for the three new openings)
 - 4 - at other program locations

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- 3 - community employment

Outcomes

- There is no more 'funded' downtime or prevoc within the factory setting
 - The shifts and changes in business demand directly impacts bottom line
 - Seeing increase demand for more complex small assembly efforts / jobs
 - Must re-do pricing model to capture increase wages and increase supply costs
 - Impact to workers eligibility for SSI, SSDI and Medicaid with increase income and work hours opportunity
 - Maintain member / procurement source for Ability Indiana, State Use
 - No longer have 'stigma' of 14C as a product provider
 - Reduce compliance activity to maintain DOL 14C certification and CARF requirements (HCBS Prevoc funding site)
 - Still have all OSHA and workplace safety requirements
 - Workers are full (20-29 hour) employees
 - Eliminated separate payroll (QZT) – which processed on a different cycle than main payroll
 - New day service location that focuses on job readiness, work skills and assist in employability
-
- Long Term – is this sustainable?
 - Acknowledge that technology and outsourcing is replacing many of these assembly level jobs
 - Jobs are getting more complex
 - Increase wage base