



October 22, 2020

Scott Adair
Director of Economic Development, County of Humboldt
sadair@co.humboldt.ca.us

This letter is to address the ongoing issues with Smart Business Resource Center receiving late reimbursements from the County of Humboldt for the WIOA contracted work that we are providing.

Smart has been providing workforce services in the Northstate for more than 40 years. In addition to serving the Humboldt Workforce Board, we serve the NoRTEC Workforce Board in Del Norte, Shasta, Siskiyou, and Trinity Counties.

Services we currently provide in Humboldt County include the following WIOA and state programs:

- WIOA* Adult
- WIOA Dislocated Worker
- WIOA Young Adult
- WIOA Rapid Response and Layoff Aversion
- NDWG** Opioid Crisis Grant
- NDWG COVID-19 Crisis Grant
- NDWG COVID-Supportive Service Grant

Since we began serving Humboldt on July 1, 2018, 16 of our 28 monthly payments have been remitted to us by the County more than 30 days after submitted. We have had to wait as long as 70 days for payment. Currently, we have two invoices pending, one aged 45 days and another aged 15 days. These invoices total \$206,455 and are for services provided in August and September. In addition, we have more than \$50,000 of services to date that we have provided in October to be billed two weeks from now.

Because Humboldt County pays Smart on a reimbursement basis, we have consistently floated \$225,000 in receivables for Humboldt County for as long as 100 days, which is the case at current. This has continued to cause cash flow issues for Smart.

The Smart leadership team has addressed this issue on at least a monthly basis with various Humboldt county employees over the course of more than two years. A significant amount of time and effort is spent on following up on our payments each month. Smart board and leadership has tried to mitigate these issues by taking out a line of credit to give us additional cash flow while waiting for the Humboldt reimbursements, potentially causing additional unnecessary



expense in finance charges. Additionally, these issues are causing us to delay payment to our vendors that are providing services to our clients, such as client payroll.

Due to three recently awarded new program contracts signed this month, if the slow pays and reimbursement basis continue, we would be forced to float up to \$400,000 for Humboldt County at any given time. This is simply not possible. We can no longer continue to operate this way.

Smart would like to continue to serve the Humboldt community with our quality workforce programming. As such, we propose the following:

- Humboldt County pays Smart all past owing invoices over 30 days by 10/28/20
- Humboldt County pays Smart all past owing invoices less than 30 days by 11/6/20
- Effective 11/1/20, Humboldt County implements weekly cash advances to Smart. There are two potential options to facilitate this that we can recommend, based on our experience:
 1. Smart requests weekly cash draws from Humboldt County based on incurred expenses. Humboldt County then requests cash from the State to draw down on the approved grants. The State sends the funds to Humboldt County and Humboldt County provides the funds to Smart.
 - This is the process the NoRTEC Workforce Board provides to Smart.
 2. Smart requests a weekly fixed amount of funding from Humboldt County. Humboldt County provides this amount each week to Smart on a pre-determined day.

Unfortunately, if we cannot come to timely resolution on these issues, we will have to cease services in Humboldt County until these issues can be resolved.

WIOA services are complex and take quite a bit of effort to get up and running effectively and efficiently. Starts and stops in programming will be detrimental to the overall programs, negatively affecting enrolled clients and the many community members we serve in Humboldt County. We hope to be able to avoid this from happening.

I want to thank you and Elishia for continuing to meet with Smart leadership in an effort to resolve these issues. Please provide a response to the above proposed by October 28, 2020 so we can determine our future direction of services in Humboldt County.

Sincerely,

Wendy Zanolli
CEO
Smart Business Resource Center
zwendy@thesmartcenter.biz
530-355-3388

*Workforce Innovation and Opportunity Act (WIOA); **National Dislocated Worker Grant (NDWG)