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OAKLAND
2016 APR 14 PM 6:13

AGENDA REPORT

TO: Sabrina B. Landreth
City Administrator

FROM: Mark Sawicki
Director, EWD

SUBJECT: FY 2015-16 WIB Budget Reallocation Report

DATE: April 14, 2016

City Administrator Approval

Date:

4/14/16

RECOMMENDATION

Resolution Recommending That The Workforce Development Board Consider Reallocation of FY 2015-16 City Workforce Innovation and Opportunity Act (WIOA) Funds To Previously Approved Service Providers To (1) Utilize Available City Savings In The Current Fiscal Year; (2) Avoid Returning Additional Funds To The State For Failure Of The City To Utilize Said Funds In A Timely Manner; (3) Achieve Better Alignment Of Actual Reduction of WIOA Allocation To Oakland With Reductions To Service Providers.

EXECUTIVE SUMMARY

This report examines 1) the Fiscal Year (FY) 2015-16 City workforce development budget, 2) FY 2014-15 remaining unspent Workforce Innovation and Opportunity Act (WIOA) funds and 3) budget reduction allocation levels and expenditures for both City operations and current service providers. President Pro-Tem Reid requested a resolution to reallocate WIOA funds. In order to accomplish this request, the Workforce Development Board (WDB) would need to consider and approve such a reallocation, along with the City Council and the Mayor. Adoption of the proposed advisory resolution would recommend that the WDB consider reallocation of FY 2015-16 WIOA funds from available City savings, if any, to previously approved service providers and return to City Council to consider the WDB action.

Based on the present service provider reimbursement rate and spending plan, the City is on track to spend any remaining FY 2014-15 workforce budget by June 30, 2016. There are no savings from WIOA personnel and other charges in the FY 2015-16 budget to be reallocated to service providers. The Workforce Division is now fully staffed. Any savings from vacancies were used to cover provisional employees.

Staff will continue to assist service providers in spending the remaining \$1.8 million currently available from the FY 2015-16 budget that must be spent by June 30, 2017.

Item: _____
CED
April 26, 2016

BACKGROUND / LEGISLATIVE HISTORY

The WDB is a federally-mandated policy body appointed by the Mayor and charged with approving the use of U.S. Department of Labor (DOL) funds under WIOA. The WDB recently replaced the Workforce Investment Board (WIB) that existed under the former governing law, the Workforce Investment Act (WIA). The WDB oversees the delivery of workforce services to Oakland residents and businesses. In addition, the WDB acts as a catalyst to provide seamless services among various workforce programs, provides community leadership around workforce needs and develops and expands community partnerships.

The WDB and City workforce staff, as the system administrator, are responsible under WIOA Section 107(d) for a range of functions as listed below, including directing funds to be used for industry or sector partnerships (Sec. 134(c)(1)(A)(v)). Following are the WDB functions:

- Development of the local plan
- Workforce research and regional labor market analysis
- Convening, brokering, leveraging workforce system partners
- Employer engagement
- Career pathways development
- Identifying and promoting proven and promising best practices
- Technology
- Program oversight
- Negotiation of local performance
- Selection of one-stop operators, and providers
- Coordination with education partners
- Budget and administration
- Accessibility for individuals with disabilities

The WDB may not directly provide career services to Oakland residents, unless they receive a waiver from the Governor (20 CFR section 680.160). Career services must be provided through the one-stop delivery system, operated by a "service provider" and approved by the WDB. New contracts for delivery of these services will be determined by the outcome of the present Request For Proposals (RFP) process currently underway.

The WDB's regular budget consists of four separate core grants, usually announced around April/May, which include: Adult, Dislocated Worker, Youth, and Rapid Response. From time to time, the WDB may receive special grants to compliment the WIOA funding.

Federal WIOA funds are allocated annually to the City of Oakland through the State Employment Development Department (EDD). Although the WDB is responsible for developing and approving its budget subject to the approval of the Mayor, the City Council must also approve the budget in accordance with Oakland's City Charter. Within the City's budget, WIOA funds are received and distributed through the City's Workforce Development Division (Fund 2195) in the Economic & Workforce Development Department. In the current budget year, there are a total of 6.94 City of Oakland full time equivalent positions (FTE) that play a role in performing workforce functions and administration, of which 5.54 FTE are funded by WIOA and 1.4 FTE are funded by the City's General Purpose Fund.

Staff previously reported to the Council's Community and Economic Development (CED) Committee on January 12, 2016, that staff would assist service providers and closely monitor the \$1.6 million available from the FY 14-15 budget that must be spent by June 30, 2016. On

December 2, 2015, the WIB Executive Committee approved reallocation of up to \$150,000 from Dislocated Worker training funds to Adult training, in support of current service providers.

ANALYSIS AND POLICY ALTERNATIVES

In considering any possible reallocation of FY 2015-16 City funds to providers, staff recommended to the CED Committee on January 12, 2016 that staff would assist and closely monitor the spending of an estimated \$1.6 million that remained available from the FY 2014-15 budget by June 30, 2016. **Table 1** outlines the balance of funds that must be spent. As of February 28, 2016, \$914,389 is still available for providers to spend during the next four months. During the past two months, service providers in total had a \$375,000 per month spend rate. There are four months remaining, which is approximately \$229,000 per month remaining to be spent.

Table 1: FY 2014-15 Unspent Service Provider Funds, as of Feb 29, 2016

Funds must be spent by June 30, 2016

Workforce Programs	Budget	Funds Spent	Projected To Spend	Anticipated Balance
Adult Programs (Adult, DW, RR)	\$2,773,000	\$2,466,292	\$306,708	\$0
Adult OJT Grant (*Exp. 5/30/16)	\$898,580	\$517,543	\$381,037	\$0
Youth Programs	\$1,521,247	\$1,294,603	\$226,644	\$0
Total	\$5,192,827	\$4,278,438	\$914,389	\$0

On December 2, 2015, the Executive Committee of the WIB approved a reallocation of up to \$150,000 from Dislocated Worker training to Adult training to help Adult service providers spend the remaining FY 2014-15 balance. At this time, all FY 2014-15 service provider funds are expected to be fully spent by June 30, 2016, ensuring that no funds are returned to the State.

The WIB implemented a similar adjustment, with help from EDD, to allow for more spend down on the Special On-the-Job Training (OJT) grant. It was determined that the grant as originally structured was too complex and restrictive under the Dislocated Worker program guidelines. Staff has been further assisting service providers to help fully spend these funds by May 30, 2016. Service providers who have OJT funds remaining have encumbered the remainder on direct placements, training, support services, and are pending final invoicing. Therefore, all special OJT grant funds will be exhausted by May 30, 2016.

Additionally, as of February 29, 2016, service providers have over \$1.8 million in unspent FY 2015-16 funds available which may be spent through June 30, 2017, as outlined in **Table 2** below.

Table 2: FY 2015-16 Unspent Service Provider Funds, as of Feb 29, 2016

Funds must be spent by June 30, 2017

Workforce Programs	Budget	Spent	Unspent	% Unspent
Adult Programs (Adult, DW, RR)	\$2,354,673	\$1,335,967	\$1,018,706	43%
Youth Programs	\$1,176,828	\$350,594	\$826,234	70%
Total	\$3,531,501	\$1,686,561	\$1,844,940	52%

Table 3 shows the City's FY 2015-16 unspent funds through February 29, 2016. \$346,476 is currently the balance for both City operations and personnel. At this time, there is no projection of savings from the City's portion of the FY 2015-16 budget available for reallocation, nor any funds that are expected to be returned to the State.

Table 3: Current Year Unspent City Funds, as of Feb 29, 2016

	Total Budget	Funds Spent (8 Months) Appx. 88K/ mo.	Projected Spend (4 months)	Funds Remaining
City Operations and Personnel	\$1,055,687	\$709,211	\$346,476	\$0

If any remaining WIOA funds, including from City operations, are identified, staff would return back to the WDB and City Council for consideration of how to allocate those actual amounts. Adoption of the proposed advisory resolution would recommend that the WDB consider reallocation of FY 2015-16 WIOA funds from City savings, if any, to previously approved service providers and return to City Council to accept the WDB action.

As previously reported and discussed at the CED Committee on January 12, 2016, the reduction in funds available in FY 2015-16 to both the service providers and the City as system administrator was due to the elimination of a budget practice of reallocating estimated budget

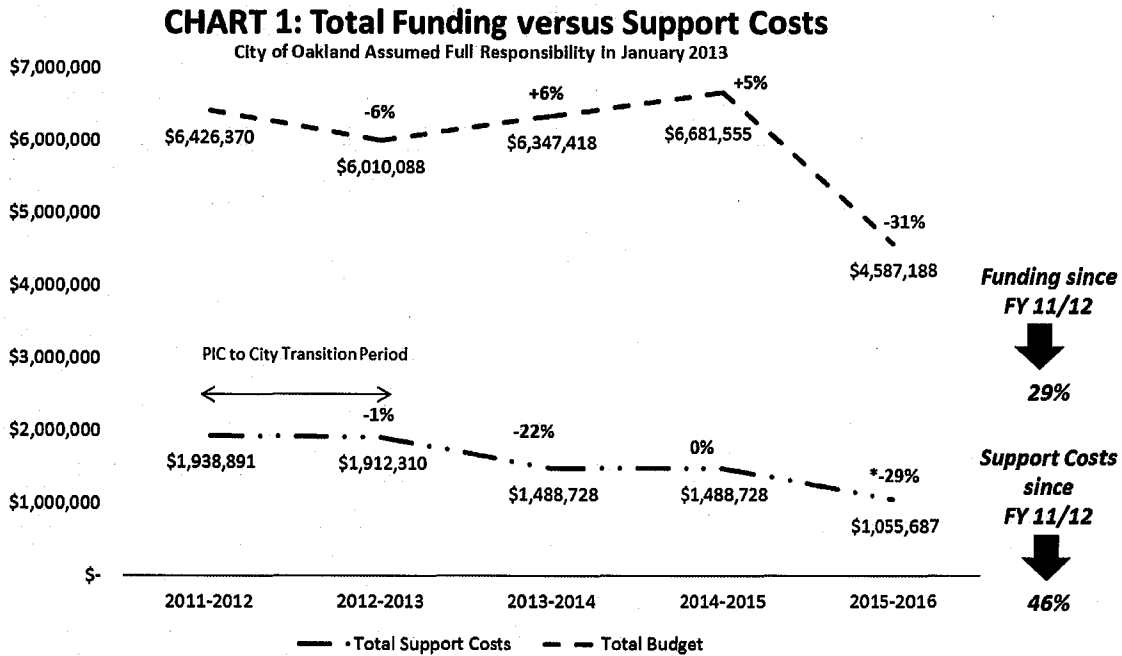
carry forwards. As shown in **Table 4** below, the FY 2014-15 WIB annual budget included \$1,065,000 of estimated unobligated carry forward funds from the prior year. The WIB voted to eliminate this practice beginning with the FY 2015-16 budget, which significantly reduced the total funding available in the budget year-over-year. Part of the reason for eliminating the carry forward methodology is because the budget amount was a rough estimate, which meant actual available funding could fall short of budget. The new budgeting practice for addressing potential carry forward is to calculate the actual funds during the course of the fiscal year, after the prior year accounting is completed.

The FY 2014-15 WIOA budget was also larger than FY 2015-16 because the City was awarded \$988,217 in additional funding to serve long-term unemployed workers with a discretionary two-year OJT grant. **Table 4** below shows more detail on the WIOA budget changes and what accounts for the total FY 2015-16 budget decrease.

TABLE 4: WIOA Budget		
	2014-2015	2015-2016
WIOA Allocation	\$4,628,338	\$4,567,188
WIOA Change +/-	-5%	-1%
Estimated Carry Forward for Providers	\$1,065,000	*\$0
Special Grant	\$988,217	\$0
FY 2014-15 Admin of Special Grant	\$0	\$20,000
Total Funding	\$6,681,555	\$4,587,188
Total Funding Change +/-	5%	-31%

*Methodology Change: WIB voted to change budget methodology to eliminate estimating a carry forward amount.

The reduction in total funding available has been borne by both the service providers and the system administrator support function the City provides. When the WIA oversight function began transitioning to the City in 2011, total system support costs were over \$1.9 million, representing 30 percent of the total WIA budget of \$6.4 million. The City workforce staff recognized that it could reduce the support costs and thus provide more funding to the service providers. In FY 2013-14, system support costs were reduced by more than 20 percent to less than \$1.5 million, accounting for 24 percent of the total WIA budget. Again in FY 2015-16, in light of the dramatic drop in total WIA funding available, the City reduced its oversight support costs by another 26 percent to less than \$1.1 million, now accounting for 23 percent of the total WIOA budget. In the four years since FY 2011-12 when the system administrator function transitioned to the City, total WIA/WIOA funding has been reduced by 29 percent, while City workforce operations and support costs have been reduced by 46 percent, as shown in **Chart 1** below.



*The reduction in Support Costs are down 31 percent, if you exclude the \$20,000 Special OJT Grant administration dollars for FY 2014-15 that were included in FY 2015-16 budget.

FISCAL IMPACT

There is currently no expected fiscal impact to the City of Oakland due to no projection of savings from the City's portion of the FY 2015-16 budget available for reallocation, nor any funds that are expected to be returned to the State at this time.

PUBLIC OUTREACH / INTEREST

The WDB is subject to the Brown Act and Sunshine Ordinance. All meetings are publicly noticed. This has been an exceptionally busy year for communicating to the public due to the implementation of WIOA. City workforce staff has been engaged in presentations to gain awareness of Oakland's workforce system at 13 community and business organizations, reaching 259 community stakeholders. Staff collected feedback from 230 employers, job seekers and workers, and conducted executive interviews with a dozen chief executive officers and human resource managers from Oakland employers and business organizations.

COORDINATION

Preparation of this report was coordinated with other Economic & Workforce Development staff and City Administration.

SUSTAINABLE OPPORTUNITIES

Economic: In FY 2015-16, WDB programs are projected to place 583 participants in jobs.

Environmental: This report does not directly address environmental sustainability.

Social Equity: Participants who receive services in Oakland's Workforce Development system are unemployed, have multiple barriers to employment, or require support in gaining pre-employment and vocational skills to become gainfully employed and ultimately self-sufficient.

ACTION REQUESTED OF THE CITY COUNCIL

Resolution Recommending That The Workforce Development Board Consider Reallocation of FY 2015-16 City Workforce Innovation and Opportunity Act (WIOA) Funds To Previously Approved Service Providers To (1) Utilize Available City Savings In The Current Fiscal Year; (2) Avoid Returning Additional Funds To The State For Failure Of The City To Utilize Said Funds In A Timely Manner; (3) Achieve Better Alignment Of Actual Reduction of WIOA Allocation To Oakland With Reductions To Service Providers.

For questions regarding this report, please contact John Bailey, Executive Director Oakland Workforce Development Board at (510) 238-6440.

Respectfully submitted,



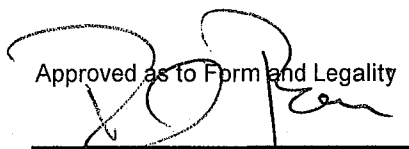
Mark Sawicki
Director, Economic & Workforce Development

Prepared by:
John R. Bailey, Executive Director
Workforce Development

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OAKLAND

2016 APR 14 PM 6:18

Approved as to Form and Legality


Deputy City Attorney

OAKLAND CITY COUNCIL

RESOLUTION No. _____ C.M.S.

Introduced by Councilmember Reid

RESOLUTION RECOMMENDING THAT THE WORKFORCE DEVELOPMENT BOARD CONSIDER REALLOCATION OF FY 2015-16 CITY WORKFORCE INNOVATION AND OPPORTUNITY ACT (WIOA) FUNDS TO PREVIOUSLY APPROVED SERVICE PROVIDERS TO (1) UTILIZE AVAILABLE CITY SAVINGS IN THE CURRENT FISCAL YEAR; (2) AVOID RETURNING ADDITIONAL FUNDS TO THE STATE FOR FAILURE OF THE CITY TO UTILIZE SAID FUNDS IN A TIMELY MANNER; AND (3) ACHIEVE BETTER ALIGNMENT OF ACTUAL REDUCTION OF WIOA ALLOCATION TO THE CITY WITH REDUCTIONS TO SERVICE PROVIDERS

WHEREAS, on July 7, 2015, the City Council approved the Workforce Innovation and Opportunity Act (WIOA) Fiscal Year (FY) 2015-16 budget; and

WHEREAS, if any FY 2015-16 WIOA funds, including from City operations, are available for reallocation, those redirected funds must be approved by the Workforce Development Board, the Council, and the Mayor for reallocation through a competitive process; and

WHEREAS, based on the present service provider reimbursement rate and spending plan, the City is on track to spend any remaining FY 2014-15 workforce budget funds by June 30, 2016, ensuring that no funds are returned to the State; and

WHEREAS, the reduction in funds available in the FY 2015-16 to both the service providers and the City as system administrator was due to the elimination of a budget practice of reallocating estimated budget carry forwards; and

WHEREAS, there are no savings from WIOA personnel and other charges in the FY 2015-16 budget to be reallocated to service providers; now, therefore be it

RESOLVED: That the City Council hereby recommends that the Workforce Development Board consider reallocation of FY 2015-16 City WIOA funds from available City savings, if any, to previously approved service providers, as needed to avoid returning additional funds to the State for failure of the City to utilize said funds in a timely manner, and to achieve better alignment of actual reduction of the WIOA allocation to the City (less than 2 percent) with reductions to service providers (15 to 24 percent); and be it

FURTHER RESOLVED: That the City Administrator, or designee, shall return to the City Council to consider any action by the Workforce Development Board.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 20_____

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, CAMPBELL WASHINGTON, GALLO, GUILLEN, KALB, KAPLAN, REID, and
PRESIDENT GIBSON MCELHANEY

NOES -

ABSENT -

ABSTENTION -

ATTEST: _____
LaTonda Simmons
City Clerk and Clerk of the Council
of the City of Oakland, California