

CITY OF OAKLAND
COUNCIL AGENDA REPORT

FILED
OFFICE OF THE CITY CLERK
OAKLAND
2003 SEP 11 PM 2:09

TO: Office of the City Manager
ATTN: Deborah Edgerly
FROM: Community and Economic Development Agency
DATE: September 23, 2003

RE: **REPORT AND RESOLUTION APPROPRIATING REVENUES GENERATED THROUGH THE IMPLEMENTATION OF THE OAKLAND WORKFORCE INVESTMENT BOARD'S BUSINESS SERVICES PLAN TO BUSINESS SERVICES ACTIVITIES**

SUMMARY

In June of 2002, the Oakland Workforce Investment Board (WIB) adopted its Business Services Plan, which describes a strategy for sustaining services to employers through revenue generating activities. The Workforce Development Unit of the Economic Development Division of CEDA oversees the implementation of the WIB's business services strategy and coordinates the Enterprise Zone Hiring Tax Credit service, which is one of three primary service elements defined in the Business Services Plan. The Fiscal Year 2003-2004, the Workforce Development Unit anticipates receiving revenues in the form of commissions from the hiring tax credit and human resource services as defined in the Business Services Plan. Staff is requesting authorization to appropriate and allocate these revenues to support the activities that generated the funds as required by regulations governing the Workforce Investment Act of 1998.

FISCAL IMPACTS

Staff expects to receive up to \$300,000 in business services generated revenue in FY 2003-2004. Revenues generated as a result of activities funded by the Workforce Investment Act (WIA) must be used for similar activities within the same program as specified in 20 CFR, Section 667.200, 29 CFR, 95.24(a) and 29 CFR 97.25(g)(2). These anticipated revenues must be appropriated to the WIA fund (2195) to support business services as articulated in the Oakland WIB's Business Services Plan. Staff requests that all revenues be used for the following purposes:

1. To cover all costs related to the processing of hiring tax credit vouchers (for FY '03-'04, that is approximately \$150,000 in personnel and O & M costs).
2. To fully automate the hiring tax credit vouchering and tracking process (estimated cost for FY '03-'04 is \$25,000).
3. To market the WIB's business services extensively to Oakland businesses (estimated cost for FY '03-'04 is \$50,000).
4. To allocate the remaining revenues to other business services and related activities (estimated at \$75,000 for FY '03 - '04).

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Items 2 and 3 are one-time investments. Items 1 and 4 are ongoing, and should be supported through revenues generated from business service activities for years to come. The funds allocated to support the processing of hiring tax credit vouchers will off-set WIA funds (2195) currently allocated to that function. The balance of funds allocated to other business services activities will supplement the WIA funds approved by the Oakland WIB for staffing and training services for the WIB's business and employee customers.

BACKGROUND

Unlike previous workforce development legislation, the Workforce Investment Act of 1998 (WIA) identifies employers as a primary customer. WIA requires that its funds be governed by Workforce Investment Boards (WIBs), which by law must be comprised of majority business sector leadership. The Oakland WIB has strong business sector leadership, which led the process of developing a comprehensive Business Services Plan (Attachment A). The Plan articulates the WIB's intent to provide a range of services to its business customers to improve employment and advancement opportunities for Oakland job seekers and workers. Among these services are staffing, customized training, hiring tax credit assistance, and other human resources solutions. The Plan also addresses the concept of sustainability through revenue generation for the WIB's business services, with the goal of developing demand for high quality service delivery. Oakland's workforce development system is now beginning to realize the revenue from its services.

KEY ISSUES AND IMPACTS

Funding for Oakland's workforce development system has decreased nearly 40% in the past year. The Oakland PIC and the City's Workforce Development Unit have had to make difficult staffing reductions. Despite these reductions, funding for direct services to job seeker and business customers has also been significantly reduced. Revenue generating activities and continued cost-cutting measures are the only ways to compensate for the current and anticipated reductions in WIA funds for Oakland. The revenues generated by Business Services activities must be "reinvested" in similar activities as required by the Workforce Investment Act of 1998 (Sec. 195 (7)(B)), 20 CFR, Section 667.200, 29 CFR, 95.24(a) and 29 CFR 97.25(g)(2). For fiscal year 2004-2005 and beyond, these anticipated revenues will be incorporated in the Oakland WIB's budget development and approval process. Because these revenue generating activities are new and as yet untested, staff did not include any revenue assumptions in the City of Oakland's FY 2003-2005 policy budget and cannot as yet make an accurate projection of the commissions to be realized in the current fiscal year.

PROGRAM DESCRIPTION

The Oakland WIB, through the Workforce Development Unit of CEDA, can now generate revenue in the following ways:

1. Processing of Enterprise Zone Hiring Tax Credit Vouchers: The Workforce Development Unit has launched a pilot program to cover the costs of processing the vouchers by charging business clients \$20 per voucher. This \$20 commission represents less than 1% of the State Income Tax savings that the businesses will realize. Staff estimates generating \$260,000 in voucher processing commissions.
2. Web-Based Hiring Tax Credit Service: In partnership with a private firm, Vervidian, the Workforce Development Unit is piloting an innovative web-based hiring tax credit services called HireCreditPro that is accessible through the Oakland WIB's website (www.oaklandwib.org). Business customers can establish accounts with Vervidian and pay \$10 per employee file they set up through the web-based system. Vervidian will pay 20% of all revenues it generates as a result of business clients accessing HireCreditPro through the Oakland WIB website. Staff estimates generating \$30,000 in commissions from Veridian.
3. Market Rate Human Resource Services: Per its agreement with the Oakland Private Industry Council, Ultimate Staffing has agreed to pay the Oakland WIB up to a 5% commission rate on all market rate revenues it generates as a result of its relationship with business customers on behalf of, and subsidized by, the Oakland WIB. Staff estimates generating \$10,000 in commissions from Ultimate Staffing.

SUSTAINABLE DEVELOPMENT

Economic: This report details the Oakland WIB's vision for sustainable services through innovative revenue generating services for its business customers. Oakland is unique in this regard, and is on the Vanguard of the Department of Labor's recent initiative to create public/private partnerships in local workforce development systems.

Environmental: This program has no direct impact on the environmental element of Sustainable Development.

Social Equity: Relationships built with business customers and revenues generated through business services will create job placement and training opportunities for Oakland job seekers and under-employed workers. This is in keeping with the City Council's and the Oakland WIB's goal of enabling workers to achieve self-sufficiency.

DISABILITY AND SENIOR CITIZEN ACCESS

This program has no direct impact on Disability and Senior Citizen Access.

RECOMMENDATIONS AND RATIONALE

Staff recommends that the City Council adopt the resolution authorizing the City Manager to appropriate revenues generated through the Oakland WIB's business services and to allocate all

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such revenues to support workforce development related business services in accordance with federal law.

In times of funding reductions for federal grants, Oakland should diversify its funding for workforce development. Business customers are willing to pay for quality services, particularly services that save them substantial time and money. The Oakland WIB's Business Services Plan, which was developed by its business leadership, articulated just this strategy. Staff is now bringing the plan's revenue generating feature to fruition.

ACTION REQUESTED OF THE CITY COUNCIL

Adopt the attached resolution authorizing the appropriation of an estimated \$300,000 in revenues generated by business services activities and the allocation of said revenues to support current and future business service activities in accordance with the Oakland WIB's Business Services Plan.

Respectfully submitted,



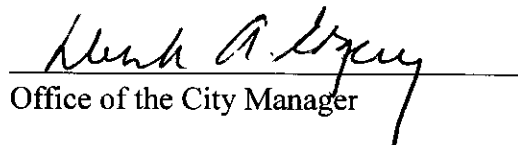
DANIEL VANDERPRIEM

Director of Redevelopment, Economic
Development and Housing

Prepared by:

Al Auletta, Workforce Development Manager

APPROVED AND FORWARDED TO THE
COMMUNITY AND ECONOMIC
DEVELOPMENT COMMITTEE



Office of the City Manager

APPROVED AS TO FORM AND LEGALITY:



DEPUTY CITY ATTORNEY

OFFICE OF THE CITY CLERK
FILED
OAKLAND
2003 SEP 11 PM 2:10

OAKLAND CITY COUNCIL

RESOLUTION No. _____ C.M.S.

INTRODUCED BY THE CITY MANAGER

A RESOLUTION APPROPRIATING REVENUES GENERATED THROUGH THE IMPLEMENTATION OF THE OAKLAND WORKFORCE INVESTMENT BOARD'S BUSINESS SERVICES PLAN TO BUSINESS SERVICES ACTIVITIES

WHEREAS, the Oakland Workforce Investment Board (WIB) is required under the Workforce Investment Act of 1998 to set policy direction and oversee programs funded through the *Workforce Investment Act*; and

WHEREAS, the Oakland WIB adopted a comprehensive Business Service Plan on June 20, 2002 that articulates strategies for serving business clients and generating revenues to sustain these services; and

WHEREAS, the Workforce Development Unit of the City's Community and Economic Development Agency's Economic Development Division coordinates on behalf of the Oakland WIB the implementation of the Business Services Plan; and

WHEREAS, federal regulations require that revenues generated from activities funded entirely or in part with Workforce Investment Act funds must be used to support similar activities and programs as those through which the revenues were generated; now, therefore be it

RESOLVED: That the City Council hereby authorizes the appropriation of \$300,000 in revenues generated through the implementation of the Oakland WIB's Business Services Plan by the City's Workforce Development Unit to directly support current and expanded Business Service activities as follows:

- \$150,000 for the staff and operating costs associated with processing Enterprise Zone vouchers.
- \$25,000 to automate the Enterprise Zone voucher processing system.
- \$50,000 to market business services to the Oakland employer community.
- \$75,000 to support other business services and related activities in support of employers and job seekers.

and be it further

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RESOLVED: That the City Manager and his or her designee is hereby authorized to allocate said revenues to the Workforce Development Unit as appropriate and to take whatever action is necessary with respect to said revenues consistent with this Resolution and its basic purposes.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2003

PASSED BY THE FOLLOWING VOTE:

AYES- BROOKS, BRUNNER, CHANG, NADEL, QUAN, REID, WAN, AND PRESIDENT DE LA FUENTE

NOES-

ABSENT-

ABSTENTION-

ATTEST: _____
CEDA FLOYD
City Clerk and Clerk of the Council
of the City of Oakland, California

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